Salford City Council

Statement of accounts 2010/11

Contents

Part I introductory statements

Foreword by the City Treasurer

1. Introduction

Welcome to the Council's accounts for 2010/11, covering the period from 1 April 2010 to 31 March 2011. Thank you for your interest in our financial affairs. We hope you find the accounts interesting and informative.

These accounts are extremely detailed and technical, so hopefully this foreword will provide an easily understandable guide to the most significant matters reported.

2. Description of the various statements of account

In general, income, expenditure and balances are measured under international financial reporting standards, essentially the same accounting conventions that a large company would use in preparing its audited annual financial statements.

There are two sets of accounts in this document: at Part II the accounts for Salford City Council as a single entity and at Part III the accounts for the Salford City Council group, incorporating the Council's share of its subsidiaries, associates and joint ventures. At the core of each is a set of six financial statements. [Figures below relate to the single entity accounts]

- **Movement in reserves statement (MiRS)**

  This shows how the surplus on the CIES is adjusted to give the true cost to the taxpayer. It shows a headline /decrease in the Council's general fund balance of £0.5m to £7.1m. **Comprehensive income and expenditure statement (CIES)**

  This shows the make-up of the net surplus on the provision of services during the year of £4.1m, which is adjusted in the MiRS to give the true cost to the taxpayer.

- **Balance sheet (BS)**

  This shows the net worth of the Council at the year end. It shows the total value of the Council's assets to be £1,057 million and its liabilities to be £892 million including a pension liability of £205 million.

- **Cash flow statement (CF)**

  This shows the movement in cash through the year and that the Council holds £17.9m in cash and cash equivalents at the year end.

- **Notes to the accounts**

  These comprise mandatory disclosures in accordance with proper practice, and additional material items of interest, with the purpose of providing the reader with sufficient information to have a good understanding of the Council's financial activities.

An introductory paragraph on the face of each of the above statements further explains their purpose and the relationship between them.

In addition to the core financial statements, the single entity accounts include two subsidiary statements, both with accompanying notes.

- Housing revenue account (HRA)

  This reflects the statutory requirement for authorities to maintain separate records for the income and expenditure on council housing.

- Collection fund

  This reflects the statutory requirement for a billing authority to maintain a separate fund showing its transactions relating to non-domestic rates and council tax, and illustrates the way in which these have been distributed to precepting authorities and the Council's general fund.

Another key document which is not part of these accounts but is presented alongside them is the **annual governance statement**, illustrating the context in which the accounts have been prepared. This statement reflects the statutory requirement to conduct an annual review of the effectiveness of corporate governance, including the system of internal control.

3. Financial performance 2010/11

We set a 2010/11 net budget in March 2010 at £220.6m.

The budget is revised throughout the year to reflect the latest forecasts. The Council's budget scrutiny committee are updated on a monthly basis with spend against budget, savings monitoring, risk assessment and prudential indicator information. This regular monitoring allows the early identification of spending pressures and a suitable corrective response.

The table below gives a summary of how expenditure compared with the original budget:

	Original Estimate £m	Actual £m	Variance £m
Net Expenditure			
• Council Services	214.7	212.4	(2.3)
• Levies and charges paid to other bodies	27.6	27.4	(0.2)
• Interest payable	18.8	18.0	(0.8)
General government grants within budget requirement			
➢ LABGI	(39.3)	(35.8)	3.5
➢ ABG	(0.5)	0.0	0.5
Contribution to / (from) General Fund Balances	(0.6)	(1.4)	(0.7)
	220.6	220.6	0.0
Funded by			
General Government Grants			
• RSG	(16.5)	(16.5)	0.0
• NNDR	(113.7)	(113.7)	0.0
Local taxpayers	(90.4)	(90.4)	0.0
	(220.6)	(220.6)	0.0

4. Material assets acquired and liabilities incurred

A list of the major capital projects carried out during the year is set out below which includes the significant assets acquired in the year.

Private Housing	**£m**
Lower Broughton	8.2
Disabled Facilities Grants	2.5
Urban Renewal	2.3
Homelessness	1.6
North Irwell	0.6
Public Housing	
New Build	10.2
Ordsall/Langworthy	7.8
Broughton	4.6
City-wide	3.2
Disabled Facilities Grants	1.4
Kersal	1.4
Childrens' Services	
BSF	14.0
Wheatersfield School	7.4
Holy Family School	4.4
Glendinning St	2.4

Capital devolved to schools	2.0
Childrens Centres/Outdoor Play	1.9
School modernisation	1.5
Barton Moss Secure Accommodation	1.1
Culture and Leisure	
Ordsall Hall	2.6
Broughton Pool	0.8
Eccles Library	0.5
Community Health and Social Care	
Higher Broughton Hub	4.9
Burrows House	0.5
Other	
Media City	7.7
Cos Cos Shares	6.7
Investment in the highways	5.2
City of Salford Community Stadium	4.8
Chapel Street	4.3
Transport Block 3	3.0
Metrolink	2.9
VER and redundancy payments	2.5
Exchange/Greengate	1.9
Irwell City Park	0.8
Cornbrook	0.8

In 2010/11 the Council spent £156.7m in total on capital projects (2009/10 £123.0m). The method of financing is described in note 24 to the core statements. The Council's planned capital expenditure for 2011/12 is £152.4m of which £64.3m relates to major contractually committed schemes as at March 2011, referred to in note 12 to the core statements.

Full details of the capital programme are included in the revenue and capital estimates page of the Council's website.

5. Pension liability and the council as a going concern

The pension liability has fallen significantly this year, primarily due to good investment performance, falling long term inflation expectations and a change in measurement from RPI to CPI.

The net pension liability is £205.3m (31 March 10 £473.1m). However, statutory arrangements for funding the deficit through increasing contributions over the remaining working life of employees, as assessed by an independent actuary, mean that the financial position of the Council remains healthy.

Overall, the annual local government finance settlement and the Council's budget process provide the resources required to meet the Council's net service expenditure up to 2010/11. Future settlements, although predicted to fall, accompanied by our budget process driving through efficiency savings, will provide sufficient resources to finance future liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of these financial statements.

6. Material and unusual charges

Our accounts conform to proper practice and contain full and frank disclosures of all material amounts. There are no material charges or credits that might be considered unusual that would require a specific explanation in this foreword.

7. Changes in accounting policies

Up until 2009/10, the Council's accounts were prepared primarily on a UK GAAP (generally-accepted accounting practice) basis. From 2010/11, the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") has adopted international financial reporting standards (IFRS). Some IFRS requirements, notably those for Private finance initiative (PFI) and similar contracts, were implemented in 2009/10 in advance of full IFRS adoption, so there are no changes in respect of these this year. However, there are changes arising from other IFRS requirements. The most significant are mentioned below and detailed in note 52.

- Compensating accumulating absences
- Grant recognition

- Removal of government grant deferred account
- Leases
- Cash and cash equivalents
- Componentisation of assets

8. Changes in statutory functions

There has been no change in statutory functions which might have had an impact on the accounts.

9. Borrowing

Our level of long-term borrowing as at 31 March 2010 was £354.8m (31 March 2010 £294.0m), short-term borrowing stood at £144.0m net of investments (31 March 2010 £175.8m). The underlying need to borrow is measured by the capital financing requirement, or CFR (see note 40), which increased to £502.1m (£461.1m at 31 March 2010). CFR differs from actual borrowing for a number of reasons, including timing differences.

The Council borrows money to finance its non-current assets (where not otherwise financed through asset sales, grants, etc), so the level of borrowing needs to be viewed in the light of a net long term asset value of £921.1m (2009/10 £952.4m).

From a prudency perspective, statutory arrangements for minimum revenue provision ensure that money is set aside for the repayment of debt over an appropriate period, and the Council is statutorily obliged to maintain its borrowing within affordable limits, in particular to ensure that the impact upon its future council tax/rent levels is acceptable.

10. Capital financing

The Council manages a capital programme, spending monies on the creation and acquisition of assets that will give benefit to the area beyond the present. In 2010/11 we spent £156.0m on capital projects (2009/10 123.0m) and the categories and methods of financing are shown in the fixed asset note. The budgeted capital programme for 2011/12 is £152.4m.

The Council has adequate sources to fund its planned capital expenditure including:

- “supported” borrowing, where government grants cover the debt charges
- unsupported (or “prudential”) borrowing, where the Council uses its own revenue resources to cover the debt charges within affordable limits
- capital grants
- usable capital receipts arising from the sale of some of the Council’s other assets
- such amounts as the Council decides to fund direct from the revenue budget.

Full details of the capital programme are included in the revenue and capital estimates page of our website.

11. Significant provisions or contingencies and material write-offs

The Council sets aside provisions for known liabilities and these are described in note 22.

12. Material events after 31 March

These accounts record the Council’s financial position at 31 March. Where significant events occur after that date, they are recorded in Note 6.

13. Effects of the recession

The recession has badly affected people and businesses in the city of Salford. Demands on the our services are therefore higher than ever before while the resources available to the Council have fallen through cuts in government grants and a desire to avoid council tax increases. Wherever possible, we are making the necessary savings through efficiency measures to avoid an impact on front-line services, while at the same time trying to safeguard people’s jobs.

Stagnation in the real estate sector means that we are unable to generate high levels of income from sales of council houses and other assets. In previous years such capital receipts would have financed the capital programme. Instead we are relying on additional borrowing, within affordable “Prudential” limits to finance new works. When new receipts are generated, they are being used first to repay this additional debt.

The net budget for 2011/12 has been set at £228.6m, which is a 3.6% increase on the comparable 2010/11 budget of £220.6m. The real-terms increase was much larger owing to the effects of inflation, additional service pressures and funding changes, but the Council has made budget reduction and efficiency savings of £39.9m to balance the budget. We have been able to achieve a nil% increase in council tax for the Council's services (2010/11 also nil%), continuing our record of being amongst the lower increases in the country.

Independent auditor's report to the members of Salford City Council

The auditor's report will be inserted following the conclusion of the audit in September

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Statement of responsibilities

1. The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Council that officer is the City Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- consider and approve the statement of accounts.

2. The City Treasurer's responsibilities

The City Treasurer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* [the Code].

In preparing this statement of accounts, the City Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The City Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification

I certify that the statement of accounts that follows presents a true and fair view of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year to 31 March 2011.

John Spink CPFA
City Treasurer
30 June 2011

Part II single entity accounts

Movement in reserves statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves, ie those that can be applied to fund expenditure or reduce local taxation, and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance and the housing revenue account for council tax-setting and dwellings rent-setting purposes. The Net increase/decrease before transfers to earmarked reserves line shows the statutory general fund balance and housing revenue account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2010/11	General fund balance	Earmarked general fund reserves	Housing revenue account	Earmarked HRA reserves	Capital receipts reserve	Major repairs reserve	Capital grants unapplied	**Total usable reserves**	Unusable reserves	**Total authority reserves**
	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Balance at 1 April 10	**7,626**	**30,248**	**1,267**	**0**	**0**	**0**	**5,126**	**44,267**	**(91,335)**	**(47,068)**
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services	96,101		(92,002)					**4,099**		4,099
Other comprehensive income and expenditure									209,044	209,044
Total comprehensive income and expenditure	**96,101**	**0**	**(92,002)**	**0**	**0**	**0**	**0**	**4,099**	**209,044**	**213,143**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(106,166)	0	92,040	0	0	0	8,408	**(5,718)**	5,718	**0**
Net increase/decrease before transfers to earmarked reserves	**(10,065)**	**0**	**38**	**0**	**0**	**0**	**8,408**	**(1,619)**	**214,762**	**213,143**
Transfers to/from earmarked reserves (note 8)	9,563	(9,563)	0	0	0	0	0	**0**		
Increase/decrease in 2010/11	**(502)**	**(9,563)**	**38**	**0**	**0**	**0**	**8,408**	**(1,619)**	**214,762**	**213,143**
Balance at 31 March 2011	**7,124**	**20,685**	**1,305**	**0**	**0**	**0**	**13,534**	**42,648**	**123,427**	**166,075**

2009/10 comparatives	General fund balance	Earmarked general fund reserves	Housing revenue account	Earmarked HRA reserves	Capital receipts reserve	Major repairs reserve	Capital grants unapplied	**Total usable reserves**	Unusable reserves	**Total authority reserves**
	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Balance at 1 April 2009	**7,611**	**24,328**	**1,218**	**0**	**0**	**0**	**4,141**	**37,298**	**249,518**	**286,816**
Movement in reserves during 2009/10										
Surplus or (deficit) on the provision of services	(34,013)		(8,114)					**(42,127)**		**(42,127)**
Other comprehensive income and expenditure									(291,758)	**(291,758)**
Total Comprehensive Income and Expenditure	**(34,013)**	**0**	**(8,114)**	**0**	**0**	**0**	**0**	**(42,127)**	**(291,758)**	**(333,885)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	39,948		8,163		0	0	985	**49,096**	(49,906)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**5,935**	**0**	**49**	**0**	**0**	**0**	**985**	**6,969**	**(340,854)**	**(333,885)**
Transfers to/from earmarked reserves (note 8)	(5,920)	5,920	0	0		0		0		
Increase/decrease in 2009/10	**15**	**5,920**	**49**	**0**	**0**	**0**	**985**	**6,969**	**(340,854)**	**(333,885)**
Balance at 31 March 10	**7,626**	**30,248**	**1,267**	**0**	**0**	**0**	**5,126**	**44,267**	**(91,335)**	**(47,068)**

The general fund balance receives surpluses from and meets deficits on the general fund revenue account. Earmarked reserves contributions and service underspends and overspends are transferred to and from the account during the year. Within the general fund balance are schools' balances detailed in note 23.

Earmarked reserves are amounts set aside from the general fund to meet a specific future purpose. They are further analysed in note 8.

The housing revenue account balance represents the accumulated surplus or deficit on the HRA.

The capital receipts reserve holds the share of income from the sale of the Council's assets that is available to finance future capital spend.

The major repairs reserve is a discretionary reserve to which a council's major repairs allowance may be transferred, used to finance major repairs to maintain housing stock in its current condition

Capital grants unapplied reserve holds grants which have been recognised in the comprehensive income and expenditure statement but not applied in capital financing.

Unusable reserves are further analysed in note 24.

Comprehensive income and expenditure statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally-accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		Note	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
33,655	(30,394)	3,261	Central services to the public		33,596	(31,072)	2,524
154,187	(41,608)	112,579	Cultural, environmental, regulatory and planning services		136,498	(29,193)	107,305
257,263	(198,321)	58,942	Education and children's services	37	290,499	(205,511)	84,988
53,159	(22,290)	30,869	Highways and transport services		47,426	(10,161)	37,265
44,250	(41,256)	2,994	Local authority housing	See HRA	124,322	(35,201)	89,121
143,677	(114,607)	29,070	Other housing services		140,028	(119,545)	20,483
113,060	(44,640)	68,420	Adult social care	33	110,337	(42,576)	67,761
5,513	(563)	4,950	Corporate and democratic core		5,730	(412)	5,318
6,404	0	6,404	Non-distributed costs		(97,349)	0	(97,349)
400	0	400	Non-distributed costs: pension past service costs	47			
811,568	**(493,679)**	**317,889**	**Cost of services**		**791,087**	**(473,671)**	**317,416**
		7,406	Other operating expenditure	9			(688)
		33,878	Financing and investment income and expenditure	10			26,721
			Surplus or deficit of discontinued operations				
		(317,046)	Taxation and non-specific grant income	11			(347,548)
		42,127	**(Surplus) or deficit on provision of services**				**(4,099)**
		20,858	Surplus or deficit on revaluation of property, plant and equipment assets	12			(30,844)
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		270,900	Actuarial gains/losses on pension assets / liabilities	47			(178,200)
		291,758	**Other comprehensive income and expenditure**				**(209,044)**
		333,885	**Total comprehensive income and expenditure**				**(213,143)**

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Balance sheet (BS)

The balance sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; for example the capital receipts reserve may only be used to fund capital expenditure or repay debt. The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses, for example the revaluation reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement as adjustments between accounting basis and funding basis under regulations.

01 April 10 £000	**31 March 10 £000**		Notes	**31 March 11 £000**	**31 March 11 £000**
949,255	900,815	Property, plant and equipment	12	869,203	
7,556	7,410	Investment property	13	7,914	
281	8	Intangible assets	14		
321	334	Assets held for sale	20		
30,382	27,735	Long term investments	15	24,228	
13,991	16,096	Long term debtors	15	19,750	
1,001,786	**952,398**	**Long term assets**			**921,095**
26,551	12,128	Short term investments	15	30,882	
		Assets held for sale	20	790	
736	778	Inventories	16	789	
71,757	78,870	Short term debtors	18	86,402	
26,695	52,739	Cash and cash equivalents	19	17,877	
125,739	**144,515**	**Current assets**			**136,740**
(8,271)	(6,714)	Cash and cash equivalents	19		
(176,926)	(187,853)	Short term borrowing	15	(174,857)	
(65,539)	(84,325)	Short term creditors	21	(68,197)	
		Provisions	22		
		Liabilities in disposal groups	20		
(250,736)	**(278,892)**	**Current liabilities**			**(243,055)**
(73,106)	(71,159)	Long term creditors	15	(55,686)	
(28,309)	(25,907)	Provisions	22	(25,288)	
(296,104)	(293,965)	Long term borrowing	15	(354,849)	
(191,600)	(473,100)	Other long term liabilities	15	(204,800)	
		Donated assets account	38		
(854)	(953)	Capital grants receipts in advance	38	(8,079)	
(589,973)	**(865,084)**	**Long term liabilities**			**(648,701)**
286,816	**(47,063)**	**Net assets**			**166,080**
37,297	44,269	Usable reserves	23		42,646
249,518	(91,333)	Unusable reserves	24		123,434
286,815	**(47,064)**	**Total reserves**			**166,080**

Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

2009/10 £000		2010/11 £000
42,127	Net (surplus) or deficit on the provision of services	(4,099)
(92,198)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28,717
(2,022)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,189)
(52,093)	Net cash flows from Operating Activities (Note 25)	**21,429**
34,069	Investing Activities (Note 26)	45,020
(9,577)	Financing Activities (Note 27)	(38,666)
(27,601)	Net (increase) or decrease in cash and cash equivalents	**27,783**
18,424	Cash and cash equivalents at the beginning of the reporting period	46,025
27,601	Net increase/(decrease) in cash and cash equivalents	**(27,783)**
46,025	Cash and cash equivalents at the end of the reporting period (Note 19)	**18,242**

Notes to the accounts

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1. Accounting policies

i. General principles

The statement of accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* [the Code] and the *Best Value Accounting Code of Practice 2010/11* [BVACOP], supported by International Financial Reporting Standards [IFRSs] and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Underlying assumptions

The accounts are maintained on an *accruals* basis (see policy below). Rather than focusing on establishing relationships between income and expenditure and determining the year in which they can be matched, the focus is on defining precisely when assets, liabilities, income, expenditure and reserves should be recognised.

The accounts are prepared on a *going concern* basis. That is, the Council will continue in operation for the foreseeable future and has neither the need nor the intention to liquidate or curtail materially the scale of its operations.

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, *legislative requirements are primary*. However, such conflicts would usually be dealt with in the Code by showing the position required by following the accounting concepts in the comprehensive income and expenditure account, and showing the effect of the legislative requirements in the movement in reserves statement.

Qualitative characteristics

The accounts are prepared on a basis that is relevant, reliable, comparable and understandable.

- They allow readers to evaluate past, present and future events.
- They are free from material error and reflect the reality or substance of the transactions and activities underlying them rather than their formal legal character.
- Consistent accounting policies are applied both within the year and between years. Where an accounting policy changes, the reason and effect is disclosed.

- They are designed to be understandable by readers with a reasonable knowledge of business, economics and accounting, and a willingness to study the information presented.

Materiality

The concept of materiality has been applied in the process of preparing the accounts, such that insignificant items are excluded and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.

Where estimating techniques are required to enable the accounting practices to be applied, then the techniques that have been used are appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is disclosed.

The majority of figures in this document have been rounded to the nearest £1,000. This means that there may be very minor inconsistencies between tables and notes, due to rounding adjustments.

ii. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and discontinued operations

Not applicable in 2010/11.

iv. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are non-fixed term investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the comprehensive income and expenditure statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

vi. Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied

retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The adoption of the IFRS-based Code of Practice in 2010/11 has resulted in a number of changes to transactions and balances compared to their treatment under the SORP. These are analysed in note 52.

vii. Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to a minimum revenue provision (MRP) amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the general fund balance (MRP), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between them.

viii. Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the non-distributed costs line in the comprehensive income and expenditure statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council are members of three separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- the Local Government Pensions Scheme, administered in the region by Tameside Metropolitan Borough Council as the Greater Manchester Pension Fund.
- the NHS pension scheme, administered by the Department of Health

All these schemes provide defined benefits to members in the form of retirement lump sums and pensions, earned as employees worked for the Council. However, the arrangements for the teachers' scheme and the

NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. Those schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the balance sheet. The Children's and education services line in the comprehensive income and expenditure statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Adult social care line is charged with the employer's contributions payable to the NHS pension scheme.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. That is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (2009/10 5.5%) based on the indicative rate of return on the iboxx Sterling Corporates index, AA over 15 years (an index of high quality corporate bonds).
- The assets of the Greater Manchester Pension Fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities at current bid price
  - unquoted securities at professional estimate
  - unitised securities at current bid price
  - property at market value.
- The change in the net pensions liability is analysed into seven components:
  - *current service cost* – the increase in liabilities as a result of years of service earned this year. This is allocated in the comprehensive income and expenditure statement to the services for which the employees worked.
  - *past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non-distributed costs.
  - *interest cost* – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.
  - *expected return on assets* – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. This is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.
  - *gains or losses on settlements and curtailments* – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. These are debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non-distributed costs.
  - *actuarial gains and losses* – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to the Pensions Reserve
  - *contributions paid to Greater Manchester Pension Fund* - cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. The statement of accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period. The statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

x. Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The *effective interest rate* is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For simple borrowings such as the Council's issued stock, this means that the amount presented in the balance sheet is the outstanding principal repayable plus accrued interest; and interest charged to the comprehensive income and expenditure statement is the amount payable for the year according to the loan agreement.

However, the Council has a significant portfolio of market LOBO loans with interest rates "stepped" over time. These are carried at a higher amortised cost than the outstanding principal; and interest is charged at a marginally higher *effective interest rate* than the actual rate payable.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the comprehensive income and expenditure statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the comprehensive income and expenditure statement, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. For discounts arising after 31 March 2007, the gain is spread over 10 years as required by Regulation. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest; and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to third parties (typically home swap or equity loans to residents inconvenienced in regeneration areas) at less than market rates (soft loans). When soft loans are made, a loss is recorded in the comprehensive income and expenditure statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at a marginally higher effective rate of interest than the rate receivable from the third party, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year, so the reconciliation of amounts debited and credited to the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Available-for-sale assets

Available-for-sale assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices are valued at the market price
- other instruments with fixed and determinable payments are valued by discounted cash flow analysis
- equity shares with no quoted market prices are valued by independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the available-for-sale reserve and the gain/ loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred: these are debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any net gain or loss for the asset accumulated in the available-for-sale reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument, net of any principal repayment and amortisation.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any accumulated gains or losses previously recognised in the available-for-sale reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xi. Foreign currency translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

xii. Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ring-fenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

xiii. Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally-generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service line(s) in the comprehensive income and expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the comprehensive income and expenditure statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, then amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

xiv. Interests in companies and other entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly-controlled entities and require it to prepare group accounts. In the Council's single

entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xv. Inventories and long term contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the *FIFO*, “first-in, first-out”, costing formula.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

xvi. Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited, if material, to the financing and investment income line (if not material, they are credited to services) and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

xvii. Jointly-controlled operations and jointly-controlled assets

Jointly-controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the comprehensive income and expenditure statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly-controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly-controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability on the balance sheet, and

- a finance charge, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, applied to write down the lease debtor on the balance sheet (together with any premiums received), and
- finance income, credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix. Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11*

(BVACOP). The total absorption costing principle is used; the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core, costs relating to the Council's status as a multifunctional, democratic organisation.
- Non-distributed costs, the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the comprehensive income and expenditure statement, as part of net expenditure on continuing services.

xx. Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the comprehensive income and expenditure statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account.

Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

Assets are then carried in the balance sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

For non-property assets that have short useful lives or low values (or both), for example vehicles, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued sufficiently regularly, as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

Assets are assessed at each year end as to whether there are indications that an asset may be impaired. Where reliable and consistent indications exist and differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer, typically averaging to about 32 years
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, typically averaging to about 5 years
- infrastructure – straight line allocation over 10 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In practice, the Council achieves the correct accounting effect by maintaining records for the main asset and calculating its equated life span for depreciation purposes based on the relative life spans of its various components.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previously-recognised losses in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

xxi. Private Finance Initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its balance sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For PFI scheme 2, the liability was written down by an initial capital contribution of £6m.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the comprehensive income and expenditure statement
- finance cost – an interest charge (at 9% for PFI scheme 1, 8% for PFI scheme 2 and 4% on LIFT schemes) on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement
- payment towards liability – applied to write down the balance sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- life cycle replacement costs – proportion of the amounts payable is posted to the balance sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

xxii. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for back pay arising from unequal pay claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

However, statutory arrangements allow settlements to be financed from the general fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an equal pay back pay account created from amounts credited to the general fund balance in the year the provision was made or modified. The balance on the equal pay back pay account will be debited back to the general fund balance in the movement in reserves statement in future financial years as payments are made.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the comprehensive income and expenditure statement. The reserve is then appropriated back into the general fund balance in the movement in reserves statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement benefits and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

xxiv. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxv. VAT

VAT (value-added tax) payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxvi. Council tax and non-domestic rate income

Council tax and non-domestic rate income are accounted for as agency arrangements.

xxvii. Group accounts

The group accounts include the Council's share of the operating results, assets and liabilities of each group entity's accounts, rather than just the historical cost of the investment. Subsidiaries are accounted for on an acquisition basis and incorporated line-by-line, writing out inter-group transactions. Associates and joint ventures are incorporated by accounting for the Council's share of their operating results in the group income and expenditure account and of their assets in the group balance sheet.

Group accounts are internally consistent, ie each group entity's accounts are adjusted so that all are presented adopting the same policies. The policies adopted are those that apply to the Council, as set out in this section.

Interim financial statements have been used for any entities with a financial year that differs from the Council's of 1 April to 31 March. These interim statements are produced using the entities' annual financial statements and relevant management accounting information.

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements. The Council is required to make disclosure of the estimated effect of the new standard in these 2010/11 financial statements.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's balance sheet. Heritage assets are assets that are held principally for their contribution to knowledge or culture. Salford Museum and Art Gallery holds such assets in its two permanent galleries, Lark Hill Place and The Victorian Gallery. Lark Hill Place consists of a recreated Victorian street with authentic period shops and rooms. The Victorian Gallery contains fine paintings, pottery and sculpture. The art collection is not currently accounted for as community assets as no cost information is available.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements, including the 2010/11 comparative information. The Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its collections of heritage assets in the balance sheet. The Council anticipates that it will be able to recognise its fine paintings collection on the balance sheet using as its base the detailed insurance valuations (which are based on market values) held by the Council in respect of the collection. The Council is unlikely to be able to recognise the majority of the pottery machinery and ephemera and the archaeological collection in future financial statements as obtaining valuations for the majority of these two collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.. This exemption is permitted by the Code.

The carrying value of heritage assets currently held in the balance sheet as community assets (at cost) within property, plant and equipment at 1 April 2010 is £nil. The Council does hold information on the value of these assets for insurance purposes, supplied by an external valuer, Bonhams. The market value of the assets as at 1 April 2008 was £6.7 million. As these assets have not yet been recognised in the balance sheet, there will be a corresponding increase in the revaluation reserve of £6.7 million, ie a revaluation gain.

It is estimated therefore that the total value of heritage assets to be recognised in the balance sheet at 1 April 2010 under the requirements of the Code will be £6.7 million. This will result in a total revaluation gain recognised in the revaluation reserve of £6.7 million. The Council considers that its heritage will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

The movements of heritage assets in the 2010/11 financial year are set out in the table below. Note that the Council is of the view, on the advice of its external valuers, that there are no material revaluation gains or losses on its holdings of heritage assets as at 31 March 2011

	2010/11 **£000**
Heritage assets previously classified as community assets in property plant and equipment, at valuation as at 1 April 2010	0
Heritage assets recognised for the first time at valuation as at 31 April 2010	6,700
Additions	0
Carrying value as at 31 March 2011	**6,700**

3. Critical judgements in applying accounting policies

In applying its accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the statement of accounts are:

- There is a degree of uncertainty about the effect of future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the outsourcing agreement for social care provision in two residential homes and also to control the residual value of the homes at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the homes are recognised as property, plant and equipment on the balance sheet.
- The Council is deemed to control a portion of the services provided under the LIFT agreement for three Gateway centres and to control the residual value of the centres at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the centres are recognised as property, plant and equipment on the Council's balance sheet.

4. Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.3m for a 1% reduction in average useful lives.
Provisions	The Council has made a provision of £0.6m for the settlement of claims for back pay arising from the equal pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £60k to the provision needed.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £81.8m and a 1 year increase in member life expectancy

	pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	would increase the liability by £58.7m. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised of actuarial gains as follows: that the net pensions liability had decreased by £62.4m as a result of estimates being corrected as a result of experience and by £114.2m attributable to updating of the assumptions.

This list does not include assets and liabilities that are carried at fair value based on a recently-observed market price.

5. Material items of income and expense

There are no material items not otherwise disclosed on the face of the comprehensive income and expenditure statement or elsewhere in these notes.

6. Events after the balance sheet date

The statement of accounts was authorised for issue by the city treasurer on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that reconcile the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice with the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	General fund balance £000	Housing revenue account £000	Capital receipts reserve £000	Major repairs reserve £000	Capital grants unapplied £000	Movement in unusable reserves £000
Adjustments primarily involving the capital adjustment account						
Reversal of items debited or credited to the comprehensive income and expenditure statement:						
Charges for depreciation and impairment of non-current assets	31,498	97,696	0	0	0	(129,194)
Revaluation losses on property plant and equipment						0
Movements in the market value of investment properties	(510)	(26)	0	0	0	536
Amortisation of intangible assets	32	0	0	0	0	(32)
Capital grants and contributions applied						0
Movement in the donated assets account						0
Revenue expenditure funded from capital under statute	62,120	0	0	0	0	(62,120)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement						0
Insertion of items not debited or credited to the comprehensive income and expenditure statement:						0
Statutory provision for the financing of capital investment	(14,317)	0	0	0	0	14,317
Capital expenditure charged against the general fund and HRA balances	(116)	0	0	0	0	116
Adjustments primarily involving the capital grants unapplied account:						

Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(8,408)				8,408	0
Application of grants to capital financing transferred to the capital adjustment account	(81,748)	0	0	0	0	81,748
Adjustments primarily involving the capital receipts reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(1,465)	12	15,330	0	0	(13,877)
Use of the capital receipts reserve to finance new capital expenditure			(14,724)			14,724
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals						0
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool.	606	0	(606)	0	0	0
Transfer from deferred capital receipts reserve upon receipt of cash						0
Adjustments primarily involving the deferred capital receipts reserve (england and wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	231	0	0	0	0	(231)
Adjustment primarily involving the major repairs reserve:						
Reversal of major repairs allowance credited to the HRA						0
Use of the major repairs reserve to finance new capital expenditure						0
Adjustment primarily involving the financial instruments adjustment account:						

Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs	(928)	(4,123)	0	0	0	5,051
Adjustments primarily involving the pensions reserve						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 47)	(88,581)	(1,519)	0	0	0	90,100
Employer's pensions contributions and direct payments to pensioners payable in the year						0
Adjustments primarily involving the collection fund adjustment account						
Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(957)	0	0	0	0	957
Adjustment primarily involving the unequal pay back pay adjustment account						
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,831)	0	0	0	0	1,831
Adjustment primarily involving the accumulated absences account						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,792)	0	0	0	0	1,792
Total adjustments	(106,166)	92,040	0	0	8,408	5,718

2009/10	General fund balance £000	Housing revenue account £000	Capital receipts reserve £000	Major repairs reserve £000	Capital grants unapplied £000	Movement in unusable reserves £000
Adjustments primarily involving the capital adjustment account						
Reversal of items debited or credited to the comprehensive income and expenditure statement:						
Charges for depreciation and impairment of non-current assets	51,890	12,833				(64,723)
Revaluation losses on property plant and equipment						
Movements in the market value of investment properties						
Amortisation of intangible assets	273					(273)
Capital grants and contributions applied	0	0				0
Movement in the donated assets account						
Revenue expenditure funded from capital under statute	55,965	(120)				(55,845)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement						
Insertion of items not debited or credited to the comprehensive income and expenditure statement:						
Statutory provision for the financing of capital investment	(13,771)					13,771
Capital expenditure charged against the general fund and HRA balances	(250)					250
Adjustments primarily involving the capital grants unapplied account:						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(985)				985	
Application of grants to capital financing transferred to the capital adjustment account	(71,291)					71,291
Adjustments primarily involving the capital						

receipts reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	7,385	(287)	7,152			(14,250)
Use of the capital receipts reserve to finance new capital expenditure			(6,852)			6,852
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals						
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool.	301		(301)			
Transfer from deferred capital receipts reserve upon receipt of cash						
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	217					(217)
Adjustment primarily involving the major repairs reserve:						
Reversal of major repairs allowance credited to the HRA						
Use of the major repairs reserve to finance new capital expenditure						
Adjustment primarily involving the financial instruments adjustment account:						
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs	146	(4,342)				4,196
Adjustments primarily involving the pensions reserve						
Reversal of items relating to retirement benefits debited or credited to the comprehensive	10,521	79				(10,600)

income and expenditure statement (see note 47)						
Employer's pensions contributions and direct payments to pensioners payable in the year						
Adjustments primarily involving the collection fund adjustment account						
Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	431					(431)
Adjustment primarily involving the unequal pay back pay adjustment account						
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,157)					1,157
Adjustment primarily involving the accumulated absences account						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	273					(273)
Total adjustments	39,948	8,163	(1)	0	985	(49,095)

8. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the general fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund and HRA expenditure.

	Revised Balance 31-Mar-09 £000	Transfers to reserves during the year 2009/10 £000	Transfers from reserves during the year 2009/10 £000	Balance 31-Mar-10 £000	Transfers to reserves during the year 2010/11 £000	Transfers from reserves during the year 2010/11 £000	Balance 31-Mar-11 £000
General Fund							
VER reserve	781	200	0	981	295	(1,181)	95
LABGI reserve	0	263	0	263	0	0	263
Media city regeneration reserve	0	592	0	592	708	(592)	708
Community committee reserve	473	581	(473)	581	423	(581)	423
DSO appropriation account	119	0	0	119	0	0	119
Manchester airport reserve	5,702	0	0	5,702	0	0	5,702
Investment reserve	576	2,150	(2,511)	215	227	(442)	0
Barton Moss trading	15	28	0	43	28		71
Risk management fund	400		(396)	4		(4)	0
Pooled budget reserve	140	245	(47)	338	42	(338)	42
Systems development reserve	21	45	0	66	91		157
PFI reserve	(22)	210	(95)	93	307	(16)	384
PFI capital reserve	0	0	0	0	0	0	0
Social services reserve	1,426		(188)	1,238	1,087	(1,088)	1,237
Insurance fund reserve	6,626	976	(328)	7,274	337	(1,806)	5,805
Community initiatives reserve	1,051	2,671	(1,051)	2,671	597	(2,671)	597
IFRS revenue grants reserve	7,020	10,069	(7,020)	10,069	5,083	(10,069)	5,083
Total earmarked reserves	**24,328**	**18,030**	**(12,109)**	**30,249**	**9,225**	**(18,788)**	**20,686**
HRA							
Housing repairs account	0	8,265	(8,265)	0	1,748	(1,748)	0

The VER reserve was established to cover potential costs relating to early retirements.

The local authority business growth incentive (LABGI) reserve was set up in 2005/06 from the proceeds of the grant received from the government in recognition of the increase in business activity in the city. The reserve will be used to promote economic development activities and encourage investment in the city.

The Media City regeneration reserve was created in 2009/10 to fund work associated with the opening of Media City at Salford Quays.

The community committee reserve represents unused balances on sums delegated to community committees, to be used for the for the benefit of the relevant area.

The DSO appropriation account was established in 1981/82 to receive and distribute profits and to cover any losses made by the Council's direct service organisations.

The Manchester airport reserve was established in 1986/87 as a result of the dissolution of Greater Manchester County Council and the distribution of its interest in Manchester airport among the ten councils in Greater Manchester. The proceeds have been reinvested in shares in Manchester Airport Group plc.

The investment reserve was set up in 2006/07 to bridge the gap between investment in a savings project and the return on that project.

The Barton Moss trading reserve was set up in 1996/97 to meet any deficits arising on the trading account and to support specific items of expenditure.

The risk management fund was set up in 1998/99 to meet the costs of identifying risks and carrying out measures to reduce or eliminate risks to assets, employees and third parties.

The pooled budget reserve holds funds earmarked for pooled budgets with Salford NHS PCT. Each year, pooled budget surpluses are redistributed to the Council and the PCT; the reserve holds the Council's share of any surplus, which is used to meet future pooled budget shortfalls.

The systems development reserve was established in 2003/04 to assist in providing for the implementation of new systems under the e-government initiative.

The PFI reserve The funding available for the PFI schemes from special grant and Council revenue contributions will exceed the payments of unitary charge in the early years of the contract and then be less in subsequent years due to reducing grant support. The Council has therefore created an interest bearing reserve during the year, which will be effective over the life of the contracts and will ensure that the estimated unitary charge payments are provided for over the life of the contract. A contribution has also been made to the PFI reserve from the general fund, which will be used to meet set up costs for the Building Schools for the Future scheme.

The PFI capital reserve was set up to match the prepayment provision on schools' PFI schemes. With the change to the accounting treatment for PFI contracts this year, the reserve and the associated long term debtor were written out of the accounts.

The social services reserve was set up in 2004/05. Its purpose is to meet demographic cost pressures and personalisation developments across health and social care.

The insurance fund reserve provides an additional contingency to meet any further claims, in addition to the amount provided for under long-term liabilities.

The community initiatives reserve was created in 2008/09 to fund schemes designed to assist community development.

IFRS revenue grants reserve has been set up for grants and contributions which have been recognised in the income and expenditure account but which will be used in the future.

The HRA repairs account reserve has been set up in the housing revenue account to meet the repair, maintenance and improvement programme expenditure.

9. Other operating expenditure

	2009/10 £000	**2010/11 £000**
Payments to the government housing capital receipts pool	301	606
Gains/losses on the disposal of non-current assets	7,105	(1,295)
Total	**7,406**	**(689)**

10. Financing and investment income and expenditure

	2009/10 £000	2010/11 £000
Interest payable and similar charges	20,738	17,965
Pensions interest cost and expected return on pensions assets	16,100	11,800
Interest receivable and similar income	(2,576)	(1,964)
Income and expenditure in relation to investment properties and changes in their fair value	(384)	(1,080)
Other investment income		
Total	**33,878**	**26,721**

11. Taxation and non-specific grant income

	2009/10 £000	2010/11 £000
Council tax	(89,916)	(91,344)
Non-domestic rates	(103,967)	(113,718)
Non-ring-fenced government grants		
Revenue support grant	(23,997)	(16,513)
Area based grant	(26,627)	(35,815)
Local authority business growth incentive scheme grant	(263)	0
Capital grants and contributions	(72,276)	(81,317)
Total	**(317,046)**	**(338,709)**

12. Property, plant and equipment

Movements on Balances

Movements in 2010/11	Council dwellings £000	Other land & buildings £000	Vehicles, plant etc. £000	Infra-structure £000	Community assets £000	Surplus assets	Assets under construction	Total £000
Cost or valuation								
Gross book value at 01 April 2010	341,713	460,842	36,932	219,447	2,783	8,854	24,536	1,095,107
Additions	29,643	13,930	11,479	11,576	567	375	17,035	84,605
Donations	0	0	0	0	0	3,478	0	3,478
Accumulated depreciation and impairment written off on revaluation	(6,745)	(8,596)	0	0	0	(78)	0	(15,419)
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,234)	35,054	0	0	0	24	0	30,844
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(92,968)	(9,338)	0	0	0	(807)	0	(103,113)
Derecognition - disposals	(632)	(6,117)	(18)	0	0	(397)	0	(7,164)
Assets reclassified (to)/from held for sale	0	(6,958)	0	0	0	(516)	0	(7,474)
Assets reclassified (to)/from investment property	0	0	0	0	0	33	0	33
Other	54	(16,511)	23,231	0	22	2,045	(8,841)	0
Gross book value at 31 March 2011	266,830	462,306	71,624	231,023	3,372	13,009	32,730	1,080,894
Accumulated depreciation and impairment								
Depreciation at 1 April 2010	(6,745)	(13,299)	(22,419)	(151,765)	0	(63)	0	(194,291)
Depreciation for year	(7,002)	(10,337)	(8,451)	(7,386)	(1)	(47)	0	(33,224)
Accumulated depreciation and impairment written off on revaluation	6,745	8,596	0	0	0	78	0	15,419
Derecognition - disposals	19	287	6	0	0	1	0	313
Other	0	2,021	(1,957)	0	0	(64)	0	0
Depreciation at 31 March 2011	(6,984)	(12,732)	(32,822)	(159,151)	(1)	(94)	0	(211,784)
Net book value at 31 March 2011	259,846	449,574	38,802	71,872	3,372	12,915	32,730	869,111

Movements in 2009/10	**Council dwellings £000**	**Other land & buildings £000**	**Vehicles, plant etc. £000**	**Infra-structure £000**	**Community assets £000**	**Surplus assets**	**Assets under construction**	**Total £000**
Cost or valuation								
Gross book value at 01 April 2010	388,431	457,685	32,479	213,499	1,357	25,640	10,648	1,129,739
Additions	12,160	22,301	5,674	5,948	1,426	0	13,888	61,397
Donations	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment written off on revaluation	(6,590)	(6,031)	0	0	0	(141)	0	(12,762)
Revaluation increases/(decreases) recognised in the revaluation reserve	(38,720)	16,929	0	0	0	933	0	(20,858)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(12,849)	(31,282)	0	0	0	(2,599)	0	(46,730)
Derecognition - disposals	(720)	(1,197)	(1,221)	0	0	(12,556)	0	(15,694)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0
Assets reclassified (to)/from investment property	0	0	0	0	0	0	0	0
Other	0	2,436	0	0	0	(2,423)	0	13
Gross book value at 31 March 2010	341,713	460,842	36,932	219,447	2,783	8,854	24,536	1,095,107
Accumulated depreciation and impairment								
Depreciation at 1 April 2009	(6,590)	(10,449)	(18,146)	(144,562)	0	(234)	0	(179,981)
Depreciation for year	(6,767)	(8,908)	(4,973)	(7,203)	0	(61)	0	(27,912)
Accumulated depreciation and impairment written off on revaluation	6,590	6,031	0	0	0	141	0	12,762
Derecognition - disposals	22	46	700	0	0	73	0	841
Other	0	(18)	0	0	0	18	0	0
Depreciation at 31 March 2011	(6,745)	(13,299)	(22,419)	(151,765)	0	(63)	0	(194,291)
Net book value at 31 March 2010	334,967	447,543	14,513	67,682	2,783	8,790	24,536	900,814

Capital commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2011/12 and future years budgeted to cost £64.3m. The major commitments are:

	£m
BSF Academy	17.9
Barton Stadium	17.0
Greengate	6.1
Higher Broughton Hub	4.8
Wheatersfield School	4.8
Chapel Street public realm (Phase 2)	3.6
Fit City Irlam	2.7
Council house new build	2.5
Ordsall Hall	1.4

Effects of changes in estimates

In 2010/11, the Council made two changes to its accounting estimates for property, plant and equipment:

The method of measuring and depreciating furniture and equipment assets was amended as described in the accounting policy on depreciation.

During the revaluation of the Council's office accommodation, remaining useful lives were reviewed critically for all properties occupied by the Council. As a result, an estimate of equated useful life was calculated as described in the accounting policy on depreciation.

The impact of these changes will carry forward into future years.

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- For existing use values, that the asset will continue to be owner-occupied, or let pursuant to the delivery of a service, for the existing use for the foreseeable future
- That no high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That inspection of those elements of any of the building's parts which have not been examined would not alter the estimation of value.
- That the land and properties are not contaminated.
- That no allowances have been made for any rights, obligations or liabilities arising from the Defective Premises Act 1972.

	Council dwellings £000	**Operational land & buildings £000**	**Non-operational land & buildings £000**	**Total £000**
Valued at fair value in :				
current year	266,830	104,924	32,029	403,783
2009/10		104,857	65,474	170,331

2008/09		147,055	14,413	161,468
2007/08		5,356	8,217	13,573
2006/07		467	1,220	1,687
Total	266,830	362,659	121,353	**750,842**

13. Investment properties

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

	2009/10	2010/11
	£000	**£000**
Rental income	(528)	(542)
Direct operating expenses	0	0
Net gain/(loss)	**(528)**	**(542)**

The Council's investment property includes its share of rental from ground leases relating to industrial units located at Manchester Airport as part of the agreement on the abolition of the former Greater Manchester Council and therefore the Council has limited influence on the investment activities related to the asset and incurs no direct operating expenses.

The remaining assets within the investment portfolio relate to properties used to site telecommunications equipment for third parties. The agreements ensure that all the associated costs are met by the user.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2009/10	2010/11
	£000	**£000**
Balance at start of the year	7,556	7,411
Additions		
▪ Purchases	34	0
Disposals	(35)	0
Net gains/(losses) from fair value adjustments	(144)	536
Transfers		
to/from property, plant and equipment	0	(33)
Balance at end of the year	**7,411**	**7,914**

14. Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. Intangible assets include both purchased licenses and internally-generated software. The carrying amount of intangible assets is amortised on a straight-line basis over its estimated useful life. The transactions are not material to the accounts.

15. Financial instruments

Categories of financial instruments

Investments	**Long term**		**Current**	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**

Loans and receivables				
Investments in the financial market	15,482	5,309	53,960	49,502
Available-for-sale financial assets				
Unquoted equity investments at cost				
Manchester airport plc	10,214	10,214		
City of Salford Community Stadium Ltd		6,666		
Trinity ICP	1,571	1,571		
MaST LIFT Ltd	167	167		
Manchester science park	252	252		
BSF TCP	49	49		
	12,253	18,919	0	0
Total	**27,735**	**24,228**	**53,960**	**49,502**

Debtors	**Long term**		**Current**	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Loans and receivables				
Manchester airport group	8,852	8,852		

Borrowings	**Long term**		**Current**	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Financial liabilities at amortised cost				
Money market	280,129	330,069	186,821	173,722
PWLB	0	0	0	0
Stock	13,567	13,567	169	169
Transferred debt	269	225	772	789
Other	0	0	91	89
	293,965	343,861	187,853	174,769
Liabilities at fair value through profit and loss	0	0	0	0
Total	**293,965**	**343,861**	**187,853**	**174,769**

Other long term liabilities	**Long term**		**Current**	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**
PFI and finance lease liabilities	(50,906)	(48,432)	(2,749)	(2,475)
Total	**(50,906)**	**(48,432)**	**(2,749)**	**(2,475)**

Creditors	**Long term**		**Current**	
	31 March 2010 £000	**31 March 2011 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Financial liabilities at amortised cost	(71,159)	(55,686)		
Financial liabilities carried at contract amount			(84,325)	(68,197)

Reclassifications

There were no reclassifications between categories.

Income, expense, gains and losses

	2010/11			
	Financial liabilities at amortised cost £000	Financial assets: Loans & receivables £000	Financial assets: Available for sale £000	Net total £000
Interest payable & similar charges	17,965	0	0	17,965
Interest and investment income	0	(960)	0	(960)
Surplus arising on revaluation of financial assets	0	0	0	0
Net (gain)/loss for the year	**17,965**	**(960)**	**0**	**17,005**
	2009/10			
	Financial liabilities at amortised cost £000	**Financial assets: Loans & receivables £000**	**Financial assets: Available for sale £000**	**Net total £000**
Interest payable & similar charges	16,443	0	0	16,443
Interest and investment income	0	(1,563)	0	(1,563)
Surplus arising on revaluation of financial assets	0	0	0	0
Net (gain)/loss for the year	**16,443**	**(1,563)**	**0**	**14,880**

Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The Council's treasury management advisors, Sector, have assisted in the preparation of this disclosure, using the following assumptions:

- interest rates at 31 March 2011 based on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are set out below.

	31 March 2010		31 March 2011	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair value £000
Financial liabilities	480,686	536,360	517,527	566,632
Loans and receivables	69,442	69,789	54,811	54,949
Available for sale financial assets	12,253	12,253	18,919	18,919

The fair value of the liabilities is higher than the carrying amount primarily because the Council's portfolio of loans includes a number of stepped LOBO loans where the interest rate payable currently higher than the rate available for a similar instrument on the valuation date. Had these loans been replaced with the similar instruments at that time this would have given rise to significant premiums.

The available-for-sale asset category includes the Council's investments in companies. None are quoted on the stock market, nor is there a satisfactory evidence base on which to determine a reliable fair value. They are therefore valued at cost less any impairment. Further details concerning shareholdings are included in the note on related businesses and companies.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

16. Inventories

	2009/10 Consumable stores £000	2009/10 Maintenance materials £000	2009/10 Total £000	2010/11 Consumable stores £000	2010/11 Maintenance materials £000	2010/11 Total £000
Balance outstanding at start of the year	622	114	736	665	113	778
Purchases	1,271	376	1,647	1,315	397	1,713
Recognised as an expense in the year	(1,228)	(369)	(1,597)	(1,322)	(386)	(1,707)
Written off balances	0	(8)	(8)	0	(8)	(8)
Balance outstanding at end of the year	665	113	778	**659**	**117**	**775**

17. Construction contracts

The Council is not undertaking construction contracts on behalf of other parties.

18. Debtors

	31 March 2010 £000	31 March 2011 £000
Government departments	19,682	35,338
Other local authorities	4,716	589
NHS and other public bodies	16,184	13,797
Other entities and individuals	38,288	36,678
	78,870	**86,402**

19. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2010 £000	31 March 2011 £000
Cash held by the Council	127	159
Bank current accounts	4,066	(902)
Short-term deposits with building societies	41,832	18,620
	46,025	**17,877**

20. Assets held for sale

	Current assets 31 March 2010 £000	Current assets 31 March 2011 £000
Balance outstanding at start of year	**321**	**334**
Assets newly classified as held for sale :		
• Property, plant and equipment	0	7,482
• Newly acquired assets	140	0
• Revaluation losses	(51)	0
Assets declassified as held for sale		
• Property, plant and equipment	0	(8)
• Investment properties	0	0
Assets sold	(76)	(7,018)
Balance outstanding at year end	**334**	**790**

21. Creditors

	31 March 2010 £000	31 March 2011 £000
Government departments	(35,472)	(8,880)
Other local authorities	(1,628)	(5,245)
NHS and other public bodies	(14,537)	(8,589)
Other entities and individuals	(32,688)	(45,483)
	(84,325)	**(68,197)**

22. Provisions

	Insurance provision	Provision for accumulated absences	Other	Total
	£000	£000	£000	£000
Balance at 1 April 2009	**(10,938)**	**(9,776)**	**(7,595)**	**(28,309)**
Additional provisions made in 2009/10	(3,651)	(10,049)	(736)	(14,436)
Amounts used in 2009/10	4,291	9,776	2,376	16,443
Unused amounts reversed in 2009/10			395	395
Balance at 31 March 2010	**(10,298)**	**(10,049)**	**(5,560)**	**(25,907)**
Additional provisions made in 2010/11	(11,847)	(8,257)	(3,771)	(23,875)
Amounts used in 2010/11	5,520	10,049	2,241	17,810
Unused amounts reversed in 2010/11	4,853	0	1,831	6,684
Balance at 31 March 2011	**(11,772)**	**(8,257)**	**(5,259)**	**(25,288)**

Insurance Provision

The Council maintains an insurance fund to meet the excess amount of any liability and fire claims not covered by its external insurers. The fund meets liability claims that are settled for amounts of less than £250,000 with external insurers covering the remainder. It meets fire claims up to £10,000 for dwellings, £25,000 for corporate properties and up to £100,000 for schools, with external insurers covering the balance. The fund consists of this provision which covers actual claims made and also a reserve to provide a contingency against potential future claims.

Provision for accumulated absences

A Provision for the staff leave accrued at the year end which had not been taken.

Other

Provisions for repayments of grant, equal pay settlements and other minor provisions made by services.

23. Usable reserves

Movements in the Council's usable reserves are detailed in the movement in reserves statement. Movements in earmarked reserves are detailed in note 8.

Schools balances

Under the terms of the Education Act 1996, local authorities are required to delegate management responsibilities to the governing bodies of schools. All primary, secondary and special schools are formula funded and are included in the scheme of full delegation. Nursery schools are excluded from the scheme.

In accordance with the Council's approved scheme for delegating budgets to schools, the amount of any budget not spent in the year is available for future use by the schools, subject to the limits agreed by the Department for Education and prescribed in the scheme of delegation to schools. The balances are not available to the Council for general use.

The balances held are set out below. They form part of the Council's general fund included within the movement in reserves statement.

	31 March 2010 £000	31 March 2011 £000

Schools managed locally		
- underspendings carried forward	5,054	6,085
- (overspendings) carried forward	(6,990)	(7,153)
Net underspend/(overspend) carried forward	**(1,936)**	**(1,068)**

24. Unusable Reserves

	Balance 31 March 2010 £000	Balance 31 March 2011 £000
Revaluation Reserve	85,792	108,374
Available for sale financial instruments reserve	0	0
Capital adjustment account	378,557	294,486
Financial instruments adjustment account	(73,443)	(68,391)
Deferred capital receipts reserve	2,260	2,022
Pensions reserve	(473,100)	(204,800)
Collection fund adjustment account	(957)	0
Unequal pay back pay account	(395)	0
Accumulated absences account	(10,049)	(8,257)
Total unusable reserves	**(91,335)**	**123,434**

Revaluation Reserve

The revaluation reserve is the store of gains made by the Council arising from increases in the value of its property, plant and equipment not yet realised through sales. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

Revaluation reserve	**2009/10 £000**	**2010/11 £000**
Balance brought forward 1 April	109,855	85,792
Surplus or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(20,857)	30,844
Transfers to the capital adjustment account		
• Accumulated gains on assets sold or scrapped	(1,841)	(6,148)
• Difference between fair value depreciation and historical cost depreciation	(1,365)	(2,114)
Balance carried forward 31 March	**85,792**	**108,374**

Available for sale financial instruments reserve

The available for sale financial instruments reserve would contain gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Council does not have any such instruments.

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

Capital adjustment account	2009/10 £000	2009/10 £000	2010/11 £000	2010/11 £000
Balance b/f 1 April		417,968		378,559
Asset restatement		2,349		
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement				
• Depreciation charged in the year	(26,499)		(33,224)	
• Impairment charge	(50,720)		(102,577)	
• Amortisation of intangible assets, hbp loan	(273)		(32)	
• Total write down of revenue expenditure funded from capital under statute	(55,744)		(62,120)	
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(14,474)		(13,869)	
		(147,710)		(211,822)
Adjusting amounts written out of the revaluation reserve		3,264		8,262
Net written out amount of the cost of non-current assets consumed in the year				
• Use of capital receipts reserve to repay debt	6,852		14,723	
• Use of major repairs reserve to finance new capital expenditure	10,103		3,666	
• Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	71,411		81,111	
• Application of grants to capital financing from the capital grants unapplied account	0		637	
• Statutory provision for the financing of capital investment charges against the general fund and HRA balances	13,772		14,320	
• Capital expenditure charged against the general fund and HRA balances	250		116	
• Equal pay	300		1,436	
		102,688		116,009
Movement in the donated assets account credited to the comprehensive income and expenditure statement				3,478
Balance carried forward 31 March		**378,559**		**294,486**

Financial instruments adjustment account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans

when they were redeemed. As a result, the balance on the Account at 31 March 11 will be charged to the general fund over the next 48 years.

	2009/10 £000	2010/11 £000
Balance at 1 April	78,014	73,443
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	617	0
Proportion of premiums incurred in previous financial years to be charged to the general fund balance in accordance with statutory requirements	(5,847)	(5,523)
Discounts incurred in the year and credited to the comprehensive income and expenditure statement	0	0
Proportion of discounts incurred in previous financial years to be credited to the general fund balance in accordance with statutory requirements	539	435
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	120	37
Balance carried forward 31 March	**73,443**	**68,392**

Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2009/10 £000	2010/11 £000
Balance brought forward 1 April	(191,600)	(473,100)
Net charges made for retirement benefits in accordance with FRS17	(10,600)	90,100
Actuarial gains/(losses)	(270,900)	178,200
Balance carried forward 31 March	**(473,100)**	**(204,800)**

Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve. For instance, in the case of home swaps, it becomes receivable upon a subsequent resale of a property sold by the Council on which a legal charge has been placed. In the case of council house sales, the amount represents outstanding mortgages with the Council.

	2009/10 £000	2010/11 £000
Balance brought forward 1 April	2,862	2,260

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income andexpenditure statement	(374)	
Transfer to the capital receipts reserve upon receipt of cash	(228)	(239)
Balance carried forward 31 March 2010	**2,260**	**2,021**

Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund. The collection fund shows the transactions of the Council as a billing authority and is discussed in detail in the relevant section of these accounts.

	2009/10 £000	2010/11 £000
Balance brought forward 1 April	(526)	(958)
Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(432)	958
Balance carried forward 31 March 2010	**(958)**	**0**

Unequal pay back pay account

The unequal pay back pay account compensates for the differences between the rate at which the council provides for the potential costs of back pay settlements in relation to equal pay cases and the ability under statutory provisions to defer the impact on the general fund balance until such time as cash might be paid out to claimants.

	2009/10 £000	2010/11 £000
Balance brought forward 1 April	(1,252)	(395)
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements (cash settlements paid in the year)	857	395
Balance carried forward 31 March	**(395)**	**0**

Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

Accumulated absences account	2009/10 £000	2009/10 £000	2010/11 £000	2010/11 £000
Balance b/f 1 April		(9,776)		(10,049)
Settlement or cancellation of accrual made at the end of the preceding year	9776		10,049	
Amounts accrued at the end of the current year	(10,049)		(8,257)	
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(273)		1,792
Balance carried forward 31 March		**(10,049)**		**(8,257)**

25. Cash flow statement – operating activities

The cash flows for operating activities include the following items.

	31 March 2010 £000	31 March 2011 £000
Interest received	3,647	277
Interest paid	(16,700)	(14,829)
Dividends received	1,006	1,000

26. Cash flow statement – investing activities

	31 March 2010 £000	31 March 2011 £000
Purchase of property, plant and equipment, investment property and intangible assets	60,533	82,234
Purchase of short-term and long-term investments	301	6,667
Other payments for investing activities	61,843	64,158
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,010)	(15,323)
Proceeds from shot-term and long-term investments	(69,462)	(84,049)
Other receipts from investing activities	(12,136)	(8,667)
Net cash flows from investing activities	34,069	45,020

27. Cash flow statement – financing activities

	31 March 2010 £000	31 March 2011 £000
Cash receipts of short- and long-term borrowing	(176,013)	(213,053)
Other receipts from financing activities		(231)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,553	2,749
Repayments of short- and long-term borrowing	168,545	176,929
Other payments for financing activities	(3,662)	(5,060)
Net cash flows from financing activities	(9,577)	(38,666)

28. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is set out overleaf.

Amounts reported for resource allocation decisions

Directorate	Children's	Community, Health & Social Care	Sustainable Regeneration	Chief Executive's & Customer & Support Services	Other direct services (Environment, URC, HRA)	Other (capital financing, precepts & charges, inflation / contingency)	Total
	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11
	£000	£000	£000	£000	£000	£000	£000
Employee expenses	137,776	28,336	21,368	36,482	20,508	3,711	248,181
Other services expenses	115,461	81,696	164,847	45,515	51,113	57,901	516,533
Support service recharges	4,729	6,916	2,732	9,411	3,022	762	27,572
Total operating expenses	**257,966**	**116,948**	**188,947**	**91,408**	**74,643**	**62,374**	**792,286**
Fees,charges & other service income	(25,583)	(40,004)	(42,834)	(37,371)	(62,194)	4,311	(203,675)
Government grants	(183,094)	(8,067)	(126,840)	(33,993)	(3,727)	(6,915)	(362,636)
Total income	**(208,677)**	**(48,071)**	**(169,674)**	**(71,364)**	**(65,921)**	**(2,604)**	**(566,311)**
Net cost of services	**49,289**	**68,877**	**19,273**	**20,044**	**8,722**	**59,770**	**225,975**

	2009/10	2009/10	2009/10	2009/10	2009/10	2009/10	2009/10
	£000	£000	£000	£000	£000	£000	£000
Employee expenses	128,718	32,441	24,161	35,772	22,467	2,965	246,524
Other services expenses	110,306	80,250	153,953	43,771	60,156	58,682	507,118
Support service recharges	4,696	5,861	3,255	9,414	2,684	785	26,695
Total operating expenses	**243,720**	**118,552**	**181,369**	**88,957**	**85,307**	**62,432**	**780,337**
Fees,charges & other service income	(22,655)	(40,142)	(42,652)	(36,440)	(63,136)	(9,602)	(214,627)
Government grants	(175,171)	(7,492)	(119,623)	(33,120)	(10,724)	18,346	(327,784)
Total income	**(197,826)**	**(47,634)**	**(162,275)**	**(69,560)**	**(73,860)**	**8,744**	**(542,411)**
Net cost of services	**45,894**	**70,918**	**19,094**	**19,397**	**11,447**	**71,176**	**237,926**

Reconciliation of directorate income and expenditure to cost of services in the comprehensive income and expenditure statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the comprehensive income and expenditure statement (CIES).

	2009/10 £000	2010/11 £000
Cost of services in service analysis	237,926	225,975
Add services not included in main analysis	0	0
Add notional amounts not reported to management	134,425	109,186
Remove amounts reported to management not included in CIES	(54,462)	(17,745)
Net cost of services in CIES	**317,889**	**317,416**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the comprehensive income and expenditure statement.

	Service analysis	Not reported to management	Reported to management but not included in cost of services	Allocation of recharges	Net cost of services	Corporate Amounts	Surplus or deficit on the provision of services
	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11
	£000	£000	£000	£000	£000	£000	£000
Employee expenses	248,181	(79,792)	(23,900)	(17,427)	127,062		127,062
Other service expenses	498,568	(1,832)	(14,202)	(9,319)	473,215	(537)	472,678
Support service recharges	27,572			(27,572)	0		0
Depreciation, amortisation and impairment		190,810			190,810		190,810
Interest payments	17,965		(17,965)		0	29,765	29,765
Payments to Housing capital receipts pool					0	606	606
Gain or loss on disposal of fixed assets					0	(1,295)	(1,295)
Total operating expenses	**792,286**	**109,186**	**(56,067)**	**(54,318)**	**791,087**	**28,539**	**819,626**
Fees, charges & other service income	(201,711)		543	54,318	(146,850)	(90,699)	(237,549)
Interest and investment income	(1,964)		1,964		0	(1,964)	(1,964)
Income from council tax					0	(91,344)	(91,344)
Government grants and contributions	(362,636)		35,815		(326,821)	(166,046)	(492,867)
Total income	**(566,311)**	**0**	**38,322**	**54,318**	**(473,671)**	**(350,053)**	**(823,724)**
Surplus or deficit on the provision of services	**225,975**	**109,186**	**(17,745)**	**0**	**317,416**	**(321,514)**	**(4,098)**

	Service analysis	Not reported to management	Reported to management but not included in cost of services	Allocation of recharges	Net cost of services	Corporate Amounts	Surplus or deficit on the provision of services
	2009/10	**2009/10**	**2009/10**	**2009/10**	**2009/10**	**2009/10**	**2009/10**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Employee expenses	246,524	17,573	(22,800)	(15,314)	225,983		225,983
Other service expenses	486,380	(3,716)	(14,021)	(8,501)	460,142	144	460,286
Support service recharges	26,695			(26,695)	0		0
Depreciation, amortisation and impairment		120,568			120,568		120,568
Interest payments	20,738		(20,738)		0	36,838	36,838
Payments to Housing capital receipts pool					0	301	301
Gain or loss on disposal of fixed assets			(7)		(7)	7,105	7,098
Total operating expenses	**780,337**	**134,425**	**(57,566)**	**(50,510)**	**806,686**	**44,388**	**851,074**
Fees, charges & other service income	(212,051)		528	50,510	(161,013)	(72,804)	(233,817)
Interest and investment income	(2,576)		2,576		0	(2,576)	(2,576)
Income from council tax					0	(89,916)	(89,916)
Government grants and contributions	(327,784)				(327,784)	(154,854)	(482,638)
Total income	**(542,411)**	**0**	**3,104**	**50,510**	**(488,797)**	**(320,150)**	**(808,947)**
Surplus or deficit on the provision of services	**237,926**	**134,425**	**(54,462)**	**0**	**317,889**	**(275,762)**	**42,127**

29. Acquired and discontinued operations

Disclosure is required of the nature of acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations. There were no acquired or discontinued operations in 2010/11.

30. Trading operations

The Council has no significant trading operations operating in a true commercial environment. Activities considered as trading undertakings under recommended accounting practice in previous years are all an integral part of one of the Council's services to the public and their income and expenditure is incorporated into the net cost of services in the comprehensive income and expenditure statement.

31. Agency services

The Council is the lead authority for the Greater Manchester Police Authority (GMPA). It provides legal, financial, personnel, administrative and valuation and estates services to the GMPA under the terms of an annually-negotiated service level agreement. The cost of these services is fully reimbursed. Included within the Council's income & expenditure account is £3.105m income and expenditure (£3.056m in 2009/10)

The Council was the lead authority for North West Learning Grid (NWLG), a consortium of seventeen local authorities in the North West of England with the aim of working in partnership with schools to improve the process and management of learning using the latest information and communication technologies. The cost of NWLG was fully met by subscriptions from member authorities. In 2010/11, NWLG had expenditure and income of £1.275m (2009/10 £1.421m). NWLG is included in the Council's income & expenditure account, within the children's and education services line, only to the extent of the Council's own subscription of £45,000 (2009/10 £45,000). The Council holds unspent balances relating to NWLG of £0.100m (2009/10 £0.509m) and this is included within creditors to other local authorities on the balance sheet. The consortium disbanded 31 March 11 and the remaining surplus funds will be returned to partners during 2011/12.

The Council is a partner in the Association of Greater Manchester Authorities (AGMA) Future Jobs Fund programme with the nine other AGMA councils, the Commission for the New Economy and various other employing organisations. The Council acts as the accountable body for the scheme and administers, on behalf of the partnership, grant of £52 million over two years commencing November 2009 to support 8,000 new jobs. The Council will receive a fee of £20 per job (£160,000 total). Aside from the fee, the grant has been recorded in the income & expenditure account only to the extent to which it is directly attributable to Salford. Agreements with partners ensure that any grant repayable to DWP will be met by the relevant partner. The Council's risk exposure in managing the programme funds is therefore negligible.

The Council acts as the agent of the major preceptors, the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority, when collecting council tax on their behalf. No fee is chargeable for this service.

The Council acts as the agent of the government in collecting national non-domestic rates. The government paid the Council an allowance for the cost of this collection of £0.450m in 2010/11 (£0.449m in 2009/10).

Levies

The net cost of services includes the following amounts which are charged by levy for services not directly provided by the Council.

	31 March 2010 £000	31 March 2011 £000
Highways, roads and transport services		
• Greater Manchester Integrated Transport Authority	14,094	14,953
Environmental services		
• Greater Manchester Waste Disposal Authority	10,072	11,132
• Environment Agency – flood defence	107	109
Association of Greater Manchester Authorities – county wide shared services	1,175	1,239
	25,448	**27,433**

32. Road charging schemes under the transport act 2000

Disclosure is required of road user charging schemes and/or licensing schemes for a workplace parking levy made under the Act. The Council does not operate any such scheme.

33. Pooled budgets

[A part of adult social care]

The pooled budget mechanism is a means by which the Council and Salford NHS Primary Care Trust (PCT) can bring resources together to both commission and provide services jointly, allowing flexible and integrated support and care to be offered.

The Council now acts as ‘host’ to four pooled budgets.

- Learning difficulties pool: to provide for Salford residents with learning disabilities a comprehensive range of services, including community social work and assessment together with nursing, residential, homecare, day care, supported employment and supported tenancy services and an adult placement scheme.
- Integrated Equipment Services pool: to provide an adaptations and equipment service for Salford residents of all ages to enable them to live as independently as possible. The service includes the assessment of individuals' needs by community occupational therapists and the provision of equipment, wheelchairs and adaptations to homes.
- National treatment allocation adult pool: to provide for the commissioning of a range of services for Salford adults with drugs-related problems. This includes the assessment of needs and the provision of a range of services for prevention and rehabilitation of service users.
- Intermediate care pool: to provide intensive support for some older Salford residents to enable them to maintain their independence, either as an alternative to a hospital admission or prematurely entering long-term care, or to assist recovery after a period of significant illness. Services provided include social worker assessment, intermediate care rehabilitation and rapid response, provision of nursing and rehabilitation beds, and an intensive home support service.

The income and expenditure for each pooled budget is set out overleaf.

	2009/10 £000	2010/11 £000
a) Learning difficulties pool		
Pooled fund income:		
Council contribution	12,014	13,491
Salford NHS PCT contribution	10,407	9,712
client & other non-pool income	5,989	5,921
Total pooled fund income	28,410	29,124
Gross pooled fund expenditure	(28,410)	(29,124)
Surplus for the year	**0**	**0**
b) Integrated equipment services pool		
Pooled fund income:		
Council contribution	1,306	1,413
Salford NHS PCT contribution	1,511	1,510
client & other non-pool income	175	129
Total pooled fund income	2,992	3,052
Gross pooled fund expenditure	(2,992)	(3,052)
Surplus for the year	**0**	**0**
c) National treatment allocation adult pool		
Pooled fund income:		
Council contribution	355	293
Salford NHS PCT contribution	2,675	2,554
client & other non-pool income	1,047	747
Total pooled fund income	4,077	3,594
Gross pooled fund expenditure	(4,077)	(3,594)
Surplus for the year	**0**	**0**
d) Intermediate care pool		
Pooled fund income:		
Council contribution	2,848	2,643
Salford NHS PCT contribution	5,717	6,203
client & other non-pool income	1	1
Total pooled fund income	8,566	8,847
Gross pooled fund expenditure	(8,566)	(8,847)
Surplus for the year	**0**	**0**

The Council's share of the pools' expenditure is included within adult social care in the income & expenditure account.

The Council and Salford NHS PCT budget for an annual contribution to each pool. In the event of this exceeding pool expenditure, the surplus is redistributed to the partners, so that income exactly meets expenditure. The redistribution is in the ratio of their original contributions to the pool as set out below.

- Learning difficulties, Council 48:52 PCT
- Integrated equipment services, Council 50:50 PCT
- National treatment allocation, Council 19:81 PCT
- Intermediate care pool, Council 35:65 PCT

In the event of a budget shortfall, additional contributions are to be made by each partner so that pool income meets expenditure. The Council has earmarked a pooled budget reserve for the purpose of meeting any such shortfall in its share of contributions.

34. Members' allowances

The Council has 60 elected members and has co-opted independent members: a peak of 8 such during 2010/11 (2009/10 7). In total, £0.904m was paid in allowances and £0.004m in travel and subsistence in 2010/11 (2009/10 £0.943m and £0.005m)

Details are published at http://www.salford.gov.uk/memberallowances.htm.

35. Officers' remuneration

The remuneration paid to the Council's senior employees is set out overleaf. The data in the 2009/10 comparator table on the second page following is different to that originally presented in the 2009/10 statement of accounts in the following respects:

- Some expenses data was wrongly included within salary. This has been removed.
- The expenses allowance figures (relating to car allowances) wrongly included the non-taxable element. This has been removed.
- It has been determined that the allowance (£235 in 2009/10) paid to acting returning officers does not count as remuneration in respect of Council employment and has been removed.

The net effect of these changes is to reduce the total 2009/10 remuneration from that reported in the 2009/10 statement of accounts. The largest such amendment is a reduction of £818 and the total for all affected officers is a reduction of £3,522 compared to the data originally reported in 2009/10.

2010/11 remuneration details, statutory and senior officers

Post title and name	Notes*	Salary (including fees and allowances) 2010/11 £	Bonuses 2010/11 £	Expense allowances 2010/11 £	Compensation for loss of office 2010/11 £	Benefits in kind 2010/11 £	Total remuneration, excluding employer pension contributions 2010/11 £	Employer pension contributions 2010/11 £	Total remuneration, including employer pension contributions 2010/11 £
Senior officer's salary over £150,000 per year:									
B Spicer, Chief Executive	a	175,097	0	914	0	0	176,011	26,439	202,450
Senior officers' salary between £50,000 and £150,000 per year:									
Strategic Director of Customer and Support Services	b	89,114	0	927	0	0	90,041	13,491	103,532
Former Strategic Director of Customer and Support Services	c	115,761	0	910	0	0	116,671	17,480	134,151
Strategic Director of Community, Health and Social Care		115,761	0	1,080	0	0	116,841	17,480	134,321
Assistant Chief Executive		115,761	0	901	0	0	116,662	17,480	134,142
Strategic Director of Regeneration		115,761	0	901	0	0	116,662	17,480	134,142
City Treasurer		82,317	0	915	0	0	83,232	12,430	95,662
Strategic Director of Children's Services		97,863	0	896	0	0	98,759	14,777	113,536
Strategic Director of Environment and Community Safety	d	32,293	0	21	0	0	32,314	4,876	37,190
Former Strategic Director of Environment and Community Safety	e	100,950	0	896	56,145	0	157,991	15,243	173,234

2009/10 remuneration details, statutory and senior officers

Post title and name	Notes*	Salary (including fees and allowances) 2009/10 £	Bonuses 2009/10 £	Expense allowances 2009/10 £	Compensation for loss of office 2009/10 £	Benefits in kind 2009/10 £	Total remuneration, excluding employer pension contributions 2009/10 £	Employer pension contributions 2009/10 £	Total remuneration, including employer pension contributions 2009/10 £
Senior officer's salary over £150,000 per year:									
B Spicer, Chief Executive	a	175,097	0	802	0	0	175,899	25,214	201,113
Senior officers' salary between £50,000 and £150,000 per year:									
Former Strategic Director of Customer and Support Services	c	115,761	0	841	0	0	116,602	16,670	133,272
Strategic Director of Community, Health and Social Care		115,761	0	1,008	0	0	116,769	16,670	133,439
Assistant Chief Executive		108,357	0	814	0	0	109,171	15,603	124,774
Strategic Director of Regeneration		108,357	0	6,712	0	0	115,069	15,603	130,672
Strategic Director of Customer and Support Services (then Director of Change)	b	83,544	0	848	0	0	84,392	12,030	96,422
Former Strategic Director of Environment and Community Safety (then Director of Environment – see note)	e	92,980	0	829	0	0	93,809	13,389	107,198
City Treasurer		82,317	0	861	0	0	83,178	11,854	95,032
Strategic Director of Children's Services*	f	75,507	0	744	0	0	76,251	10,873	87,124

Notes to senior officers' remuneration tables on previous two sheets

a) The Chief Executive's remuneration includes an allowance of 20% of the total salary, for providing services to the Greater Manchester Police Authority, which is reimbursed to the Council.

b) On 1 December 2010, the former Director of Change was appointed Strategic Director of Customer and Support Services at an annualised salary of £100,950

c) The former Strategic Director of Customer and Support Services left the service of the council on 31 March 2011.

d) The Strategic Director of Environment and Community Safety was appointed 6 December 2010 at an annualised salary of £96,879

e) The former Strategic Director of Environment and Community Safety left the service of the council on 31 March 2011. He was appointed to that position on 1 April 10. During 2009/10 he was Deputy Director of Environment at an annualised salary of £90,549 including honorarium from 1 April 2009 to 31 August 2009 and was appointed Strategic Director of Environment on an annualised salary of £93,540 from 1 September 2009 to 31 March 2010. The redundancy payment of £56,145 included in this disclosure was agreed during 2010/11 but not actually paid until 2011/12.

f) The Strategic Director of Children's Services was appointed 5 May 2009, at an annualised salary of £93,540.

Remuneration bands

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees	
	2009/10	2010/11
£50,000 - £54,999	92	88
£55,000 - £59,999	61	63
£60,000 - £64,999	40	47
£65,000 - £69,999	9	17
£70,000 - £74,999	17	14
£75,000 - £79,999	11	9
£80,000 - £84,999	4	5
£85,000 - £89,999	3	1
£90,000 - £94,999	6	3
£95,000 - £99,999	3	3
£100,000 - £104,999	2	3
£105,000 - £109,999	2	1
£110,000 - £114,999	-	-
£115,000 - £119,999	2	4
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	1	1
Total	**253**	**259**

36. External audit costs

The Council has incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

Fees payable to the Audit Commission	2009/10 £000	2010/11 £000
• with regard to external audit services carried out by the appointed auditor	325	303
• in respect of statutory inspection	77	0
• for the certification of grant claims and returns	63	73
• in respect of other services provided by the appointed auditor	2	2
Total	**467**	**378**

37. Dedicated schools grant

[A part of Children's and educational services]

The Council's expenditure on schools is funded primarily by dedicated schools grant (DSG) monies provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget. The schools budget includes elements for a range of educational services provided on a Council-wide basis and for the individual schools budget, which is divided into a budget share for each school.

Details of the deployment of the DSG receivable are set out below.

	Central expenditure £000	Individual schools budget £000	Total £000
Final DSG for 2010/11			**135,251**
Brought forward from 2009/10			**(3,675)**
Carry forward to 2011/12 agreed in advance			**0**
Agreed budgeted distribution in 2010/11	15,618	115,958	**131,576**
Actual central expenditure	(19,151)		**(19,151)**
Actual ISB deployed to schools		(115,958)	**(115,958)**
Council contribution for 2010/11	0	0	**0**
Carry forward to 2011/12	(3,533)	0	**(3,533)**

38. Grant income

The Council credited the following grants, contributions and donations to the comprehensive income and expenditure statement.

	2009/10 £000	**2010/11** £000
DCSF - Dedicated Schools Grant	130,660	135,251
DWP - Grants for Benefis	123,572	134,834
DCSF - Education Standards Fund	17,149	20,424
CLG - Supporting People	13,191	12,737
DCSF - Surestart	8,663	10,383
DCSF - Schools Standards	6,751	6,855
CLG - Private Finance Initiative	5,573	5,573
DCSF - Young People's Learning Agency (LSC 2008/09)	2,331	2,903
CLG - Housing Market Renewal Fund	1,229	1,451
HO - Asylum Seekers	1,856	1,377
DOH - Social Care Reform	1,149	1,317
Other grants	78,509	5,538
	390,633	**338,641**

39. Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced *by* the council. The disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants from government departments are set out in the subjective analysis in note 28 on reporting for resources allocation decisions and in note 38 on grant income.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 34. Members' interests outside of the Council are recorded in the register of interests and the register of gifts and hospitality maintained by the monitoring officer. A number of members hold official positions in organisations independent of their role as elected members of the Council. Where the Council has contracts for services and/or has awarded grants to such organisations, the Council's standing orders were fully complied with, with proper consideration of any declarations of interests.

Members hold positions on the boards of various community and voluntary organisations in and around Salford. In 2010/11 £449,000 of the Council's expenditure related to such declared member interests (£102,000 in 2009/10).

One member also acts as chair of the board of Salford Royal NHS Foundation Trust. In 2010/11, £40,000 of the Council's expenditure and £244,000 of its income related to the Trust (2009/10, £79,000 expenditure and £337,000 income).

Four members sit on the board of City West Housing Trust, a registered social landlord. In 2010/11 £235,392 of the Council's expenditure and £3,925,794 of its income related to the Trust (2009/10, £235 expenditure and £8,239,665 income).

Officers

Officers may be in a position to influence financial or operational practices. There were no transactions in 2010/11 with bodies in which officers had a pecuniary interest and were able to exercise such an influence (2009/10 nil).

Other public bodies [subject to common control by central government]

Other public bodies which have a financial relationship with the Council through the ability to precept or levy are disclosed in the agency income and expenditure note and in the collection fund note. The Council also works in close partnership with the health service, and its joint financing of pooled budgets is disclosed in note 33.

Entities controlled or influenced by the Council

a. *Salix Homes Ltd*

Salix Homes Ltd is an ALMO (arms-length management organisation) of the Council, and was formed in July 2007. The company's principal activities are to manage and maintain the housing stock of the Council.

The parent board of Salix Homes Ltd comprises four tenant representatives, four Council nominees and four independent members. Salix Homes is incorporated into the group accounts of the Council as a subsidiary company.

At the year ended 31 March 2011, the company had net liabilities of £1.754m (net liabilities of £6.686m at 31 March 2010). In 2010/11 the surplus before tax was £2.243m (2009/10 surplus of £0.204m).

At the year ended 31 March 2011, the Council owed Salix £0.347m and was owed £0.502m.

Further information and details of the financial statements of Salix Homes Ltd may be obtained from the Company Secretary, Salix Homes Ltd., Diamond House, Peel Cross Road, Salford M5 4DT.

b. *Higher Broughton Partnership companies*

The principal activity of these companies is to manage a real estate project regenerating the Higher Broughton area of the city.

The Council has a 19% interest in Higher Broughton Partnership LP and Higher Broughton (GP) Ltd. Higher Broughton (GP) Ltd has a board of directors of which 44% are Council representatives.

In 2010/11, the Council made £nil payments to the Higher Broughton Partnership companies (£nil in 2009/10) and received no payments (£nil in 2009/10).

c. *Urban Vision Partnership Limited (UVPL)*

Urban Vision Partnership Limited is a joint venture arrangement created between Capita Symonds, Morrison and Salford City Council and was formed on 1 February 2005. Salford City Council is a minority shareholder in this venture and current shareholdings are Capita Symonds 50.1%, Morrison 30% and SCC 19.9%. UVPL is considered to be a joint venture company and is treated in these accounts as an associate company.

The principal activity of the company is to provide a wide range of multi-disciplinary services to the Council which were previously performed by the Council itself. These services include engineering & highways, architectural services, property & development, planning & building control and business development & support.

At 31 December 2010 the company had net assets of £1.989m (net assets of £1.831m 31 December 2009) and for 2010 had a profit before tax of £0.224m (£0.546m deficit in 2009). The Council has a ten year agreement for the provision of services from UVPL and purchased £30.400m in 2010 (£28.100m in 2009). In 2010 the Council received £10.700m from UVPL as reimbursement of salary costs for seconded staff and other costs (£16.400m in 2009).

At year ended 31 March 2011, the Council owed Urban Vision £0.546m and was owed £0.896m.

Further information and details of financial statements can be obtained from the Company Secretary, Urban Vision Partnership Ltd., Emerson House, Albert Street, Eccles M30 0TE.

d. *Central Salford URC Ltd.*

Central Salford URC was incorporated as a private company, limited by guarantee with no share capital in August 2006. The Council currently has 18% of the directors and is restricted by the articles of association to at all times have less than 20% of the voting rights and so not exert significant influence. The company is in the process of being wound up in 2011/12.

The principal activity of the company was to facilitate the regeneration of an area of central Salford.

In the year 2010/11 the Council made payments, in the form of a grant, to Central Salford URC of £319,000 (£319,000 in 2009/10) and received payments of £30,000 (£31,000 in 2009/10) for financial and administrative support.

e. *Manchester Airport Group plc (MAG)*

The principal activity of the company is the operation and development of an international airport. The Council holds 10,214,000 £1 ordinary shares, equivalent to 5% of share capital.

At 31 March 2011, the company had net assets of £817.0m (£769.1m at 31 March 2010). The profit before tax was £80.6m and profit after tax was £84.7m (2009/10 profit before tax £45.6m, and profit after tax of £36.9m).

A dividend of £1.000m was received in 2010/11 (£1.000m in 2009/10).

Further information and details of financial statements can be obtained from the Company Secretary, c/o Manchester Professional Services Ltd., PO Box 532, Town Hall, Manchester M60 2LA.

f. *Lowry Centre Trust*

The Lowry Centre Trust is a private company, limited by guarantee with no share capital. Its principal activity is the operation of the Lowry Centre art gallery and theatre. Two Council members and an officer sit on the Trust's board but the Council has no financial interest in its performance.

Under an agreement dated 19 March 1997, the Council has agreed with the Arts Council and the Trust that it will pay to the Trust each year an amount representing the planned deficit for the year in the Trust’s revenue accounts in respect of the operation of the Lowry Centre, provided that the deficit has actually been incurred. The agreement came into operation on 1 April 2000 and the amount of the fixed annual contribution is to be reviewed every five years, beginning from the starting date and subject to a minimum sum of £350,000. The terms of the agreement are irrevocable except with the consent of the Arts Council.

The amount of the contribution was £0.677m for each of the two years 2000/01 and 2001/02. To secure additional external funding amounting to £16.250m, it was agreed that an extra £0.250m would be paid to the Trust for each of the five years commencing in 2003/04, raising the annual contribution rate to £0.927m. This arrangement has been extended to date and, while subject to an annual review taking into account the Trust's annual business plan, is expected to continue in the medium term.

In return, the Trust provides the following services by way of a service level agreement: community education and outreach services to schools and Salford residents; publicity for the Council; conference facilities; housing of the Lowry collection under a 30 year lease until 2036.

At year ended 31 March 2011, the Council was owed £44,547 by the Lowry Centre Trust.

Further information may be obtained from the Company Secretary, The Lowry, Pier 8, Salford M50 3AZ.

g. *Salford Community Leisure Limited (SCL)*

The principal activity of the company is to provide a range of diverse sports and physical activities within the City, which include sports centre, swimming pools, specialist sports facilities, sports development and sports events.

The company is a not-for-profit community organisation that has been incorporated under the Industrial and Provident Societies Act, and was formed on 1 October 2003. SCL is an independent organisation from the Council but works in partnership with the Council to achieve mutual strategic aims and objectives. The Council has a funding agreement in place for the provision of services from SCL and purchased £6.717m in 2010/11 (£2.845m in 2009/10).

Further information and details of the financial statements of SCL may be obtained from the Secretary to the Board, Susan Leonard, Salford Community Leisure Ltd, New Bridgewater House, 12 Bridgewater Street, Walkden, M28 3JE.

At year ended 31 March 2011, the Council owed SCL £2.791m (including £2.080m invested on behalf of SCL)and was owed £0.725m.

h. *Manchester/Salford/Trafford Groundwork Ltd.*

Manchester/Salford/Trafford Groundwork Ltd is a private company limited by guarantee without share capital. The Council holds 13% of the directorships and has a liability that is limited to £10.

In the year 2010/11 the Council made payments for services of £0.567m (2009/10 £0.181m) and received nil payments (2009/10 £0.015m).

j. *MaST LIFT Company Ltd*

The company was formed under the NHS Local Improvement Finance Trust (LIFT) initiative to develop and deliver health and social care estate. Its principal activity is as a holding company for a group providing accommodation and servicing of medical centres. Three of the LIFT developments within Salford include space leased by the Council in relation to library, community space and one stop shop provision. In 2010/11 the Council made lease payments of £0.795m (2009/10 £0.772m).

The principal shareholder is Primary Plus (Holdings) Limited, a company jointly owned equally by John Laing and HBOS (Bank of Scotland), which owns a 60% equity investment. The other shareholders are health and local authorities in the Manchester area.

The Council owns 200 class B shares (equivalent to a 2.22% investment) in MaST LIFT Company Limited. The Council has also invested in £0.167m long term subordinated loan stock of a subsidiary, MaST LIFT Project Company (No. 2) Limited.

No dividend was received in 2010/11 (2009/10 nil).

Further information can be obtained from the Company Secretary, Allington House, 150 Victoria Street, London SW1E 5LB

k. *Trinity ICP*

The principal activity of this joint venture company is to develop the 0.1 hectare site that was acquired from the Guardian Media Group by Bruntwood Ltd and Salford City Council with the support of the North West Regional Development Agency. The Council holds 1,570,500 "A" ordinary shares of £1 each which represents 50% of the share capital.

No profit was made in 2010/11 (2009/10 nil) and the net worth at 31 March 2011 was £3.148m (£3.148m at 31 March 2010).

Further information can be obtained from the Company Secretary, City Tower, Piccadilly Plaza, Manchester M1 4BD.

l. *BBC Philharmonic*

The Council has an agreement to sponsor the BBC Philharmonic Orchestra for eight years at a total cost of £20.4m. The amount of the sponsorship in 2010/11 is £3.0m (£2.5m in 2009/10). It will be nil in 2011/12, returning to £3.0m in 2012/13 to 2014/15 and ending with £2.4m in 2015/16.

The partnership aims to help raise the profile of the city nationally and internationally and is enabling the orchestra to build active links with local communities and schools, creating opportunities for young musicians to develop their skills and career aspirations.

m. *City of Salford Community Stadium Ltd (CoSCoS)*

The principal activity of this joint venture company is to develop and operate a community stadium on a site in Barton adjacent to the Manchester Ship Canal. Peel Holdings and Salford City Council provided the site in exchange for shares. The Council holds 5,000,000 ordinary shares of £1 each, which represents 50% of the ordinary share capital, and 1,666,666 redeemable preference shares of £1 each.

The Council has entered into a development funding agreement with CoSCos. Under the terms of the agreement the Council will advance up to £18.8m to fund the development of the stadium. The loan is repayable over a period of 25 years and at the 31 March 2011 the total advanced and owed to the Council was £3.5m.

The company made no profit in the year, and at 31 March 2011 the company had net assets of £11.6m.

At year ended 31 March 2011, the Council was owed £586,195 by CoSCoS in respect of development work undertaken by the Council.

Further information can be obtained from the Company Secretary, Cobbetts LLP, 58 Mosley Street, Manchester M2 3HZ.

40. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

	31 March 2010 £000	31 March 2011 £000
Opening Capital Financing Requirement	437,318	461,083
IFRS restatement	2,981	
Revised Capital Financing Requirement	440,299	461,083
Capital investment		
Property, Plant and Equipment	61,637	84,182
Investment Properties	0	0
Intangible Assets	0	116
Revenue Expenditure Funded from Capital under Statute	55,657	62,120
Other capital expenditure	6,156	10,274
Sources of finance		
Capital receipts	0	0
Government grants and other contributions	(71,338)	(81,747)
Sums set aside from revenue		
Direct revenue contributions		
[MRP/loans fund principal]	(31,328)	(33,831)
Closing Capital Financing Requirement	461,083	502,197
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	5,118	12,411
Increase in underlying need to borrowing (unsupported by government financial assistance)	36,235	58,752
Assets acquired under finance leases	406	
Assets acquired under PFI/PPP contracts	(20,975)	(30,049)
Increase/(decrease) in Capital Financing Requirement	**20,784**	**41,114**

41. Leases

The Council as lessor has a number of finance leases and is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2010 £000	31 March 2011 £000
Finance costs payable in future years (net present value of minimum lease payments)	2,299	1,153
Current	1,146	269
Non-current	1,153	884
Finance costs payable in future years	196	124
Minimum lease payments	2,495	1,277

The minimum lease payments will be payable over the following periods.

	min lease payments		finance lease liability	
	31-Mar-10	31-Mar-11	31-Mar-10	31-Mar-11
not later than one year	1,218	324	1,146	269
later than one year and not later than five years	1,149	925	1,026	855
later than five years	128	28	127	28
total	**2,495**	**1,277**	**2,299**	**1,153**

42. Private finance initiatives and similar contracts

The Council has entered into service concession contracts with providers for local improvement finance trust (LIFT) and private finance initiative (PFI) schemes. LIFT has delivered three health centres which include library, community space and one-stop shop provision. The two PFI contracts have delivered three new special high schools and two new high schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the centres. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, plant and equipment

The PFI and similar assets used to provide services are recognised on the Council's balance sheet. Movements in their value over the year are detailed below.

	2009/10 £000	2010/11 £000
Net book value at 1 April	67,179	71,436
Additions	250	1,941
Revaluations	5,877	872
Depreciation	(1,870)	(2,750)
Disposals	0	0
Net book value at 31 March	**71,436**	**71,499**

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March (excluding any estimation of inflation and availability/ performance deductions) are as follows.

	Repayment of liability	Interest	Payment for Services	Total
	£000	£000	£000	£000
Payable in 2011/12	1,580	3,875	2,548	**8,003**
Payable within two to five years	6,277	14,232	10,850	**31,359**

Payable within six to ten years	8,420	14,873	15,180	**38,473**
Payable within eleven to fifteen years	10,655	11,169	17,199	**39,023**
Payable within sixteen to twenty years	13,031	6,416	18,413	**37,860**
Payable within twenty-one years to twenty five years	8,086	1,246	7,667	**16,999**
Payable within twenty six years to thirty years	1,042	50	386	**1,478**
Total	**49,091**	**51,861**	**72,243**	**173,195**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The total outstanding liability to the contractor for capital expenditure incurred is as follows:

	2009/10 £000	2010/11 £000
Balance outstanding at start of year	52,909	51,356
Payments during the year	(1,603)	(1,603)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	**51,356**	**49,753**

43. Impairment losses

The Council has not charged impairment losses to the surplus or deficit on the provision of services and to other comprehensive income and expenditure, which would have required disclosure in this note.

44. Capitalisation of borrowing costs

Not relevant to Salford City Council.

45. Termination benefits

During the year the Council agreed voluntary redundancy or early retirement with 418 staff, incurring liabilities of £4.791m for redundancy payments.

46. Pensions schemes accounted for as defined contribution schemes

Teachers' pension scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council paid £8.844 to Teachers' Pensions in respect of teachers' retirement benefits (2009/10 £8.796m), based on 14.1% of employees' pensionable pay (2009/10 14.1%). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in defined benefit pension schemes note.

NHS pension scheme

Employees who have transferred direct from the NHS to the Council in support of pooled budget arrangements (see the pooled budgets note) are allowed to choose to remain with the NHS pension scheme. Some 80 employees of the Council are therefore members of the NHS pension scheme, administered by the Department of Health. The scheme provides members with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council paid £0.224 to NHS Pensions in respect of members' retirement benefits (2009/10 £0.229), based on 14% of employees' pensionable pay (2009/10 14%). There were no contributions remaining payable at the year-end.

There are no benefits awarded upon early retirement outside of the terms of the scheme.

47. Defined benefit pension schemes

Participation

As part of the terms and conditions of employment of its officers and members, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The LGPS is a funded scheme, meaning that the employer's and employees' contributions into the fund (the GMPF) are calculated at a level intended to balance the pension liabilities with investment assets.

The Council participates in the following schemes:

- The Local Government Pension Scheme, administered locally as the Greater Manchester Pension Fund by Tameside MBC. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2010/11 the Council's employer's contribution to the GMPF was £18.7m (£17.8m in 2009/10), based on 15.1% of employees' pensionable pay (14.4% in 2009/10). In addition, expenditure of £1.0m relating to past service costs for unfunded capital costs of early retirements, not included by the actuary in his valuation, became payable; the actual payment of these costs is deferred. In 2011/12, the Council expects to pay an employer's contribution of £18.8m, based on 16.0% of employees' pensionable pay.
- Arrangements under both the Greater Manchester Pension Fund and the Teachers' Pension Scheme for the award of discretionary post retirement benefits upon early retirement. These are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. In 2010/11 the cost of discretionary benefits was £2.4m under the GMPF and £2.8m under the TPS. In 2011/12, the Council again expects to pay £2.4m and £2.8m respectively.

Transactions

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the general fund via the movement in reserves statement. The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year:

	Local Government Pension Scheme		Teachers' Pension Scheme (added years element)	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Comprehensive income and expenditure statement				
Within cost of services:				
Current service cost	12,700	24,100	-	-
Past service cost	400	(103,500)	-	(2,400)
Impact of settlements and curtailments	4,200	3,800	-	-
Within financing and investment income and expenditure:				
Interest cost	46,300	57,900	2,300	2,200
Expected return on scheme assets	(32,500)	(48,300)	-	-
Net charge to surplus or deficit on the provision of services	**31,100**	**(66,000)**	**2,300**	**(200)**
Other:				
Actuarial gains and losses	261,800	(176,600)	9,100	(1,600)
Total charge to the comprehensive income and expenditure statement	**292,900**	**(242,600)**	**11,400**	**(1,800)**
Movement in reserves statement				
Reversal of net charges made to surplus or deficit on the provision of services	(11,000)	87,100	400	3,000
Actual amount charged against council tax for pensions in year				
Employer's contributions payable to scheme	17,800	18,700	-	-
Discretionary awards benefits payable to pensioners	2,300	2,400	2,700	2,800
	20,100	**21,100**	**2,700**	**2,800**

Past service cost

The past service cost in 2010/11 is a significant credit to the comprehensive income and expenditure statement and as such has been disclosed separately from other non-distributed costs.

Cumulative actuarial gains and losses

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2011 is a loss of £153.4m: £143.6m on the LGPS, £9.8m on the TPS (2009/10 £331.6m: £320.2m and £11.4m).

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Local Government Pension Scheme		Teachers' Pension Scheme (added years element)		Total	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Opening balance	(671,600)	**(1,131,200)**	(34,400)	**(43,100)**	(706,000)	**(1,174,300)**
Current service cost	(12,700)	(24,100)	-	-	(12,700)	(24,100)
Interest cost	(46,300)	(57,900)	(2,300)	(2,200)	(48,600)	(60,100)
Contributions by	(8,000)	(7,700)	-	-	(8,000)	(7,700)

members						
Actuarial gains/(losses)	(414,400)	192,700	(9,100)	1,600	(423,500)	194,300
Past service costs	(400)	103,500	-	2,400	(400)	105,900
Losses on curtailments	(4,200)	(3,800)	-	-	(4,200)	(3,800)
Estimated unfunded benefits paid	2,300	2,400	2,700	2,800	5,000	5,200
Estimated benefits paid	24,100	28,000	-	-	24,100	28,000
Closing defined benefit obligation	**(1,131,200)**	**(898,100)**	**(43,100)**	**(38,500)**	**(1,174,300)**	**(936,600)**

Reconciliation of fair value of the scheme (plan) assets

	Local Government Pension Scheme		Teachers' Pension Scheme (added years element)		Total	
	2009/10 £000	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**
Opening asset balance	514,400	701,200	-	-	514,400	701,200
Expected return on assets	32,500	48,300	-	-	32,500	48,300
Contributions by members	8,000	7,700	-	-	8,000	7,700
Employer contributions	17,800	18,700	-	-	17,800	18,700
Contributions in respect of unfunded benefits	2,300	2,400	2,700	2,800	5,000	5,200
Actuarial gains/(losses)	152,600	(16,100)	-	-	152,600	(16,100)
Unfunded benefits paid	(2,300)	(2,400)	(2,700)	(2,800)	(5,000)	(5,200)
Benefits paid	(24,100)	(28,000)	-	-	(24,100)	(28,000)
Closing asset balance	**701,200**	**731,800**	**-**	**-**	**701,200**	**731,800**

The Council has taken advice from the actuary and the expected return on assets is based on the long-term future expected investment return, net of investment expenses, for each asset class at the beginning of the period.

The actual return on scheme assets in the year was £47.0m (2009/10 £185.1m).

Scheme history

	2006/07 £000	**2007/08** £000	**2008/09** £000	**2009/10** £000	**2010/11** £000
LGPS					
Fair value of employer assets	636,700	608,200	514,400	701,200	731,800
Present value of defined benefit obligation	(749,700)	(670,700)	(671,600)	(1,131,200)	(898,100)
Surplus/(deficit)	(113,000)	(62,500)	(157,200)	(430,000)	(166,300)
Teachers' pension					
Fair value of employer assets	-	-	-	-	-
Present value of defined benefit obligation	(34,800)	(35,400)	(34,400)	(43,100)	(38,500)
Surplus/(deficit)	(34,800)	(35,400)	(34,400)	(43,100)	(38,500)
Total defined benefit balance	**(147,800)**	**(97,900)**	**(191,600)**	**(473,100)**	**(204,800)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability/deficit has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increasing contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Basis for estimating assets and liabilities

The pensions liability has been assessed on an actuarial basis using the projected unit method of valuation, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the GMPF and the TPS added years element attributable to Salford Council teachers have been assessed by the GMPF's actuary, Hymans Robertson. The GMPF is formally valued every three years, with the value being rolled forward using certain assumptions in the interim periods. The

most recent full actuarial valuation of the fund was as at the 31 March 2010. The principal assumptions are set out below.

Assumptions	31 March 2010	31 March 2011
Indexing	% per annum	% per annum
• Rate of increase in salaries	5.3	4.3
• Rate of increase in pensions in payment	3.8	2.8
• Discount rate	5.5	5.5
• Inflation assumptions (CPI)	3.8	2.8
Long-term expected rate of return on scheme assets:	% per annum	% per annum
• Equities	7.8	7.8
• Government Bonds	5.0	4.9
• Property	5.8	5.5
• Cash	4.8	4.6
Mortality assumptions, longevity at age 65:	years	years
• Current pensioners (male)	20.8	20.1
• Current pensioners (female)	24.1	22.9
• Future pensioners (male)	22.8	22.5
• Future pensioners (female)	26.2	25.0
Elections to convert annual pension to lump sum:	%	%
• Pre-April 2008 service	50	50
• Post-April 2008 service	75	75

Asset categories

The discretionary benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

LGPS assets	Proportion of fair value of assets at 31 March 2010	Proportion of fair value of assets at 31 March 2011
	%	%
Equities	67	66
Bonds	16	17
Property	6	5
Cash	11	12
Total	100	100

History of experience gains and losses

Actuarial gains (and losses), measured as a percentage of assets and liabilities at the period end, are set out below.

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
LGPS					
Difference between the expected and actual return on assets	0.6	(11.9)	(26.9)	21.8	(2.2)
Experience gains (/losses) on liabilities	(0.0)	(0.8)	(0.7)	(0.2)	8.8
TPS					
Difference between the expected and actual return on assets	-	-	-	-	-
Experience gains (/losses) on liabilities	(0.9)	(6.8)	(2.9)	(6.3)	2.6

48. Contingent liabilities

a. *Municipal Mutual Insurance*

In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under the Scheme claims are initially paid out in full, but if the eventual

winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered. The main effect of the scheme would be the imposition of a levy against the Council on all claims paid on its behalf since 30 September 1993, to the extent that these are not fundable.

As at the 31 March 2011 claims paid on behalf of the Council were £8.833m (£8.759m at 31 March 2010), with outstanding claims estimated at £0.312 (£0.318m at 31 March 2010). The estimated amount liable to the levy if the scheme is triggered is £9.095m (£9.077m at 31 March 2010).

The Greater Manchester Council's (GMC) former insurer was also MMI. As at 31 March 2011 £10.7m of claims relating to GMC had already been paid (£10.7m at 31 March 2010), with outstanding claims estimated at £0.025m (£0.1m at 31 March 2010). GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on population. The Council's share of ex GMC claims paid and outstanding at 31 March 2011 is estimated at £0.894m.

As at June 2010 the MMI annual report and accounts stated that the directors are of the view that if a positive outcome can be achieved in the current litigation case a solvent run off with full payment of claims will be achieved. The litigation case is to be considered by the Supreme Court at the end of 2011 and a decision to be made possibly summer 2012.

As the likelihood, timing and amount of any claw back can not be determined, no provision for the potential liability has been made in the balance sheet. However, the Council maintains an insurance reserve and considers the claw back risk when determining the level of funds to be held in that reserve.

b. *Modesole Ltd.*

As a result of the Council receiving a distribution from the proceeds of Modesole's sale of its shares in the Midland Hotel & Conference Centre a liability may arise, the extent of which can not yet be determined, to repay its share of a grant given in 1986 towards the refurbishment of the hotel.

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, an indemnity was given to the buyer against any future liabilities in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last until 9 August 2015, 10 years from the date of sale.

c. *Metrolink*

The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority (GMPTA) and Greater Manchester Passenger Transport Executive (GMPTE) and the Department for Transport (DfT) have entered into a partnership funding approach for Metrolink phase 3a.

Within the agreement the DfT contribution is capped at £244m and AGMA, GMPTA and GMPTE are jointly and severally responsible for meeting all costs over and above that sum, on the understanding that the scheme is delivered as it was approved. The scheme is fully funded at present and the arrangement will only be operative if the costs exceed the DfT contribution. Monitoring arrangements will be put in place by all parties to minimise the risk of that happening.

d. *Salix Homes Ltd pension liability*

In addition to the Council's pension liability disclosed separately, the Council's ALMO (Salix) carries a pension liability estimated at £2.428m as at 31 March 2010 (£6.967m liability at 31 March 2009). In a similar fashion to the Council's own liability, any deficit on the local government pension scheme will be made good by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary. The Council has indicated its current intention that, in the event of factors causing pension liabilities to fall due earlier than planned, the Council expects that it will ensure Salix is in a position to meet those liabilities.

e. *Warranties by the Council in favour of City West Housing Trust*

City West Housing Trust was the recipient of a large-scale voluntary transfer of council houses in 2008/09. Arrangements were agreed to meet costs associated with catastrophic events and essential repairs (but not betterment) for unadopted infrastructure. It was originally estimated that the total contingency for these items would be £23.1m up to 2038/39. City West were to meet the first £5m of costs. The next £10m were to be split on a 75:25 basis to the Council and City West respectively. The remaining £8.1m were to be split on a 50:50 basis. Any liabilities above £23.1m will be borne by City West Housing Trust. The arrangement would run for 30 years should it be necessary. The Council's maximum exposure is therefore £6.6m. The scheme is in its third year and costs so far have been £0.132m. No liability has yet been met by the Council.

It has also been agreed that City West will meet the first £13.246m (plus VAT and management costs) of costs associated with asbestos. The Council will underwrite any further costs including VAT and

management costs above this figure. The arrangement will last for 35 years. This arrangement is in its third year and costs so far have been £1.420m. No liability has yet been met by the Council.

f. *Equal pay*

The Council has made a provision for the settlement of equal pay claims (see note 25). The provision is based on estimates of the settlement amount for known claims where it is considered that the Council is more likely than not to ultimately make a payment. In addition to the amount provided, there is the possibility of additional liabilities arising through further claims or through unprovided-for existing claims where the Council's current expectation is that they will be found in its favour. While it is not expected that additional liabilities will arise, their maximum extent is estimated to be £3.5m.

g. *Subsidence*

Liability in relation to subsidence at a number of properties on Sewell Way in Little Hulton has not yet been established. Should the Council be held to be responsible, a liability estimated not to exceed £300,000 may arise, which would not be covered by the Council's insurance arrangements.

h. *Higher Broughton CPO*

The outcome of a judicial review of objections to a compulsory purchase order for properties in Higher Broughton has not yet been decided. It is anticipated that any liability on the Council will not exceed £300,000.

j. *Employment tribunal claims*

Former employees have lodged claims at the Employment Tribunal totalling approximately £300,000. The Council disputes these claims, which have not yet been heard.

k. *Urban Vision highways claim*

The Council's partners in Urban Vision are preparing a claim for a cumulative underpayment of up to £1 million on the highways contract over years 1 to 5. As the likelihood of an eventual payment, the actual amount and timing are uncertain, as yet no provision has been made in the Council's accounts.

l. *Commitment by the Council in favour of Ask Developments*

As part of proposed developments in Greengate, the Council proposes to underwrite rental income on two office blocks to be built by its development partner Ask Developments, subject to successful planning approval. It is intended that tenants will be found and no liability incurred. There is currently no formal obligation and, as the likelihood of any eventual payment, its actual amount and timing are uncertain, no provision has been made in the Council's accounts.

49. Contingent Assets

a. *VAT shelter*

In 2008/09 the Council agreed an initial 10-year "VAT shelter" arrangement with City West Housing Trust. This has been approved by HMRC. In practice this will generate approximately £49m of VAT reclaim to be utilised by City West for the decent homes programme in West Salford. The Council has agreed to a 100% arrangement in favour of City West, ie all monies generated by the shelter will go to City West. This follows the Council strategy of maximising the cash flow opportunity for City West in the early years of its business plan and is expected and supported by DCLG.

There is an option to extend the VAT shelter for a further 5 years and both the Council and City West support this. The commercial agreement between the Council and City West Housing Trust has been built around receiving this confirmation. For the years 11 to 15 it is therefore expected that there will be a different sharing arrangement, with both the Council and City West receiving 50% at a value of £8.5m each.

b. *Right-to-buy receipts*

In 2008/09 the Council and City West Housing Trust agreed an arrangement on receipts generated through the right-to-buy (RTB) and right-to-acquire (RTA) dwellings by tenants wishing to purchase their council houses.

A right-to-buy tenant is one who was in tenancy at the point of transfer completion. The RTB arrangement will run for 15 years during which a contractually-calculated proportion of receipts will go to the council. Receipts generated by RTBs are not consistently received throughout the period and it is not possible to reliably estimate the total value of this arrangement. Up to 31 March 2011, £1.110m had been received (to 31 March 10 £0.681m). After the 15-year period, all RTB receipts will be retained by City West Housing Trust.

Right-to-acquire receipts are generated by sales of houses to tenants who came into tenancy or who took up a new tenancy after the date of transfer. City West Housing Trust will retain 100% of RTA receipts.

50. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- *credit risk*, the possibility that other parties might fail to pay amounts due to the Council;
- *liquidity risk*, the possibility that the Council might not have funds available to meet its commitments to make payments;
- *market risk*, the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council maintains written principles for overall risk management, as well as written treasury management policy statements covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of [A-]. The Council has a policy of not lending more than £10m of its surplus balances to one institution.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectibility over the last five financial years, adjusted to reflect current market conditions.

	Estimated maximum exposure to default 31 March 10 £000	**Balance 31 March 11 £000 A**	**Estimated maximum likelihood of default % B**	**Estimated maximum exposure to default 31 March 11 £000 (A x B)**
Deposits with banks and financial institutions	58	54,811	0.1	55
Customers	2,165	45,483	4.9	2,211
Total	**2,238**			**2,266**

The estimated maximum likelihood of default is based on historical experience, adjusted for market conditions at 31 March 2011, and having regard to the Council's treasury management policies. So, while market conditions have deteriorated, throughout the reporting period the counterparty list has been under review, and institutions have been removed from the list whenever their credit ratings have been downgraded to below the Council's minimum criteria. The likelihood of default is not therefore judged to have increased since last year. The Council is alerted to changes in credit ratings by its Treasury Management Advisors, Sector Treasury Services Ltd.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. £2.636m of the trade and other debtor balance (31 March 2010 £2.405m) is past its due date for payment. The past due amount can be analysed by age as set out below.

Age of debt	**31 March 2010 £000**	**31 March 2011 £000**
Less than three months	489	692
Three to four months	106	124
Five months to one year	828	573
More than one year	982	1,247
	2,405	**2,636**

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 50% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is set out below (excluding interest).

	31 March 2010 £000	31 March 2011 £000
Less than one year	176,046	163,944
Between one and two years	1,044	30
Between two and five years	68	52
Between five and ten years	18,132	21,631
Between ten and fifteen years	3,554	48
More than fifteen years	275,237	325,231
	474,081	**510,936**

All trade and other payables are due to be paid in less than one year.

Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- for borrowings at variable rates, the interest expense charged to the income and expenditure account would rise;
- for borrowings at fixed rates, the fair value of the liabilities borrowings would fall;
- for investments at variable rates, the interest income credited to the income and expenditure account would rise;
- for investments at fixed rates, the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the comprehensive income and expenditure statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and have a commensurate effect on the general fund balance. Movements in the fair value of fixed rate investments will be reflected in other comprehensive income and expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget throughout the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price risk

The Council does not generally invest in equity shares, but does have shareholdings to the value of £18.919m (31 March 10 £12.253m) in a number of related businesses and companies. While classified as available for sale, in practice these shareholdings are pursued for service reasons. In each case there is no reliable evidence of fair value so they are held at cost less impairment in the balance sheet. The Council is not therefore exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

51. Trust Funds

The authority is responsible for the administration of 7 individual trust funds (not as sole trustee).These funds are not owned by the authority and are used in accordance with the aims of the particular charity or trust. Any cash balances managed by the Council on behalf of trust funds are shown as current liabilities in the authority's balance sheet.

Fund	capital value 31 March 10	capital value 31 March 11
	£000	£000
Robert Cardwell Holiday Fund	1	1
Salford/Lunen Travelling Scholarship Trust	22	22
Salford Youth Sailing Trust – sailing opportunities for young people	34	52
Salford Children's Holiday Camp	59	82
Joule Medal Fund – commemorative medals for students	3	3
Relief of Distress Fund	22	21
Isaac Felix Sahal's Will Trust – to improve community facilities	625	501
	766	682

52. Prior period adjustments

In 2010/11, the IFRS-based Code of Practice on Local Authority Accounting (the Code) has been introduced in compliance with statute, replacing the previous Statement of Recommended Practice on Local Authority Accounting (the SORP). This results in a number of changes to accounting policies. These are described below alongside the effects that they have had on the financial statements presented herein.

Note that in every case, the net effect on the comprehensive income and expenditure account shown below has is offset by compensating transfers within the “adjustments between accounting basis and funding basis under regulations” line on the movement on reserves statement in order to have a neutral effect on the council tax payer.

Government grants deferred

Under the SORP, grants were held in a government grants deferred account and released over time in financing capital to match depreciation charges in the year. Under the Code, grants are recognised immediately and the government grant deferred account eliminated.

Statement line	Effects up to 2008/09	Effect on 2009/10	Cumulative effect
	£000	£000	£000
Balance sheet net assets			
Government grants deferred	142,927	25,525	168,452
Capital grants receipts in advance	(854)	(99)	(953)
Net total	142,073	25,426	167,499
Balance sheet reserves			
Usable reserves	17		17
Unusable reserves	142,056	25,426	167,482
Net worth	142,073	25,426	167,499
Comprehensive income & expenditure statement			
Cultural, environmental, regulatory and planning services		26,479	
Education and children’s services		3,361	
Other housing services		15,487	
Adult social care		360	

Other operating expenditure	178	
Taxation and non-specific grant income	(71,291)	
Net total	(25,426)	

Leases

Under the SORP, a numerical test of present value of minimum lease payments as a percentage of fair value of the asset applied in determining whether a lease was an operating lease or a finance lease. Under the Code, a judgement of risks and rewards applies. The consequence is that some leases previously considered to be operating leases are now finance leases, and the asset and a lease liability brought on to the balance sheet.

The same determination applies to assets leased by the Council, removing some assets from the balance sheet where they are determined to be finance leases.

Statement line	**Effects up to 2008/09**	**Effect on 2009/10**	**Cumulative effect**
	£000	**£000**	**£000**
Balance sheet net assets			
Property, plant & equipment	2,465		2,465
Long-term debtors	448	(217)	231
Other long-term liabilities	(2,981)	1,088	(1,893)
Net total	(68)	871	803
Balance sheet reserves			
Unusable reserves	(68)	871	803
Comprehensive income & expenditure statement			
Cultural, environmental & planning services		(519)	
Local authority housing		51	
Financing and Investment Income and Expenditure		(403)	
Net total		(871)	

Accumulated short-term absences

A new requirement under the Code is to recognise leave accrued by employees at the year end as a liability in the same manner as any other financial liability. This is balanced by an unusable reserve, the accumulated absence account.

Statement line	**Effects up to 2008/09**	**Effect on 2009/10**	**Cumulative effect**
	£000	**£000**	**£000**
Balance sheet net assets			
Other long-term liabilities	(9,776)	(273)	(10,049)
Balance sheet reserves			
Unusable reserves	(9,776)	(273)	(10,049)
Comprehensive income & expenditure statement			
Central services to the public		(16)	

Cultural, environmental, regulatory and planning services	(480)	
Education and children's services	203	
Highways and transport services	(54)	
Other housing services	(126)	
Adult social care	762	
Corporate and democratic core	(16)	
Net total	273	

Cash and cash equivalents

The Code requires cash equivalents to be recognised in the same manner as cash, meaning that some investments are recategorised.

Statement line	**Effects up to 2008/09**	**Effect on 2009/10**	**Cumulative effect**
	£000	**£000**	**£000**
Balance sheet net assets			
Short-term investments	(15,544)	(26,288)	(41,832)
Cash and cash equivalents	15,544	26,288	41,832
Net total	0	0	0

Recognition of grants

Undrer the SORP, grants received but not yet applied were held as creditors. The Code requires them to be recognised in the comprehensive income and expenditure account and, where necessary, be appropriated to an earmarked reserve, except where there are outstanding conditions, in which case they continue to be treated as creditors.

Statement line	**Effects up to 2008/09**	**Effect on 2009/10**	**Cumulative effect**
	£000	**£000**	**£000**
Balance sheet net assets			
Short term creditors	11,145	4,034	15,179
Balance sheet reserves			
Usable reserves	11,145	4,034	15,179
Comprehensive income & expenditure statement			
Central services to the public		(23)	
Cultural, environmental, regulatory and planning services		(2,869)	
Education and children's services		(1,275)	
Highways and transport services		(424)	
Other housing services		2,426	
Adult social care		(847)	
Corporate and democratic core		(37)	
Taxation and non-specific grant income		(985)	
Net total		(4,034)	

Asset measurement

The Code requires asset components to be considered separately for depreciation where the life of the component is different from the asset as a whole.

Statement line	Effects up to 2008/09 £000	Effect on 2009/10 £000	Cumulative effect £000
Balance sheet net assets			
Property, plant & equipment	107,090	(7,078)	100,012
Assets held for sale	321	13	334
Investment properties	(45,241)	9,057	(36,184)
Surplus assets held for disposal	(62,253)	(2,834)	(65,087)
Deferred liabilities		(406)	(406)
Net total	(83)	(1,248)	(1,331)
Balance sheet reserves			
Unusable reserves	(83)	(1,248)	(1,331)
Comprehensive income & expenditure statement			
Central services to the public		14	
Cultural, environmental, regulatory and planning services		21,573	
Education and children's services		(2,228)	
Highways and transport services		36	
Local authority housing		438	
Other housing services		1,111	
Adult social care		297	
Corporate and democratic core		6	
Non-distributed costs		(23,784)	
Other operating expenditure		(13)	
Financing and investment income and expenditure		144	
Surplus or deficit on revaluation of property, plant and equipment assets		3,656	
Net total		1,250	

Housing revenue account income and expenditure statement (HRA)

TheHRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the movement on the HRA Statement.

2009/10 £000		2010/11 £000	Notes
	Income		
(31,156)	Dwelling rents (gross)	(32,003)	1
(317)	Non-dwelling rents (gross)	(369)	1
(3,320)	Charges for services and facilities	(3,202)	
(6,463)	HRA subsidy receivable (inc. MRA)	373	2
(41,256)	**Total income**	**(35,201)**	
	Expenditure		
8,004	Repairs and maintenance	11,481	3
14,688	Supervision and management	10,596	3
603	Rents, rates, taxes and other charges	603	
595	Increased provision for bad or doubtful debts	354	
20,314	Depreciation and impairment of fixed assets	101,239	5
46	Debt management costs	49	
44,250	**Total expenditure**	**124,322**	
2,994	**Net cost of HRA services as included in the whole authority Income and expenditure Account**	89,121	
166	Non-distributed costs	123	6,7
3,160	**Net cost of HRA services**	**89,244**	
(305)	(Gains) or loss on the disposal of fixed asset	12	8
2,735	Interest payable and similar charges	2,671	
238	Pensions interest cost and expected return on pensions assets	153	
(68)	Interest and investment income	(78)	
5,760	**(Surplus)/deficit for year on HRA services**	**92,002**	

Movement on the HRA statement

This statement takes the outturn on the HRA income and expenditure statement and reconciles it to the surplus or deficit for the year on the HRA balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2009/10 £000		2010/11 £000	Notes
5,760	Deficit (surplus) for the year on the HRA income and expenditure account	92,002	
(5,809)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(92,040)	* see below
(49)	Decrease/(increase) in the HRA balance for the year	(38)	
(1,218)	Housing revenue account surplus brought forward	(1,267)	
(1,267)	**Housing revenue account surplus carried forward**	**(1,305)**	

***Amounts included in the HRA income and expenditure account but excluded from the movement on the HRA balance for the year**

2009/10 £000		2010/11 £000	Notes
2,864	Excess of depreciation charged to HRA services over the major repairs allowance element of housing subsidy	(3,881)	9
(13,361)	Impairment of fixed assets	(93,789)	
120	Government grants deferred amortisation	0	
4,342	Interest payable and similar charges – difference between the SORP and statutory charges	4,123	
305	Net profit /(loss) on sale of fixed asset	(12)	
(79)	Net charges made for retirement benefits in accordance with FRS17	1,519	10
(5,809)	**Net additional amount required by statute to be debited or (credited) to the HRA balance for the year**	**(92,040)**	

Notes to the housing revenue account (HRA)

1. Gross rent income

This is the total rent income due for the year after allowance is made for vacant property etc. An analysis of gross rents and allowances is set out below.

2010/11	Dwellings £000	Shops £000	Other £000	Total £000
Gross rent income before allowances	(32,003)	(287)	(82)	(32,372)
Less: allowances for vacant properties				
Gross rent income after allowances	(32,003)	(287)	(82)	(32,372)

2009/10	Dwellings £000	Shops £000	Other £000	Total £000
Gross rent income before allowances	(31,698)	(275)	(93)	(32,066)
Less: allowances for vacant properties	542			542
Gross rent income after allowances	(31,156)	(275)	(93)	(31,524)

During the year 1.1% of lettable properties were vacant (2009/10 1.7%).

Average rents were £64.16 per week (2009/10 £62.41).

2. Housing subsidy

Housing subsidy is payable by the government to the housing revenue account (HRA). The subsidy is calculated by reference to a notional account broadly comprising expenditure in respect of management and maintenance costs, capital charges income from rents and interest on receipts. Housing subsidy supports the difference between notional costs and income.

	2009/10 £000	2010/11 £000
Rent	(30,600)	(31,339)
Interest on receipts	(4)	(2)
Management and maintenance allowance	18,854	19,924
Major repair allowance	10,136	7,002
Charges for capital	8,031	7,376
Sub-total	6,417	2,961
Adjustment to previous years entitlement	46	(3,336)
Total housing subsidy	**6,463**	**(375)**

3. Related party transactions

During 2010/11 Salix Homes Ltd, an arms-length management organisation, managed and maintained the Council's housing stock.

Included in HRA expenditure is the payment of a management fee to Salix Homes Ltd as follows:

a. Contribution to housing repairs account £7.600m (2009/10 £8.084m)

b. Supervision and management £10.631 (2009/10 £11.574)

4. Rent rebates

Assistance with rents is available to those on low income under the government's housing benefit scheme, which is administered by the Council. 65% of Council tenants received help with the cost of rent (2009/10 73%). Rent rebates are included in the housing line of the income & expenditure account core statement.

5. Depreciation

The HRA is charged an annual amount for the depreciation of assets and impairment losses relating to a decrease in the asset value for which there is no related balance held in the revaluation reserve. Details of the charges relating to assets used in the direct delivery of the services are shown below.

	2009/10 £000	2010/11 £000
Depreciation		
Council dwellings (MRA)	6,767	7,002
Other operational assets	457	534
	7,224	7,536
Less grants released on depreciated assets	(120)	0
Total depreciation	7,104	7,536
Impairment		
Council dwellings	12,849	92,968
Other operational assets	361	735
Total impairment	13,210	93,703
Total depreciation and impairment	20,314	101,239

The Council has adopted a policy whereby the depreciation relating to council dwellings is equal to the major repairs allowance (MRA) which reflects the cost of maintaining properties in their present condition. In 2009/10 the Council was approved a request to bring forward part (£3.336m) of the 2010/11 MRA which was fully utilised in 2009/10. The total cost of depreciation on all HRA properties is credited to the major repairs reserve. Regulations require that where the total depreciation charges are less than the MRA the difference is transferred to the HRA from the major repairs reserve.

Impairment charges are reversed out to the capital adjustment account to avoid having any impact on rent levels.

6. Impairment

Impairment losses of £93.815m have occurred on HRA assets (2009/10 £13.361m). The charges are shown within total expenditure for assets used in the delivery of the service £93.703m and non distributed costs for surplus assets not held for sale £0.112m.

The majority of the impairment (about £88.3m) relates to council dwellings and reflects a reduction in the social housing adjustment factor from 48% up to 2009/10 to 35% in 2010/11. This factor is prescribed by the government and is applied to the vacant possession value of the assets to give the existing use value for social housing. The factor has been reduced to more accurately reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors. Reductions in value are charged to the net cost of services if there are insufficient balances held for the assets in the revaluation reserve and reversed out to capital reserves to avoid having any impact on rent levels

7. Non-distributed costs

The HRA has been charged with depreciation and impairment losses relating to non-operational assets. These charges are met from a contribution from the major repairs reserve and from the capital financing account so that they do not impact on rent levels.

	2009/10 £000	2010/11 £000
Depreciation on non operational assets	15	11
Impairment charges on non operational assets	151	112
	166	123

8. Gains / (Losses) on the disposal of assets

This reflects the difference between the net book value of assets disposed of and the amount of received from the sale. The gain is effectively reversed out in the statement of movement on the HRA balance to ensure that it has no impact on the level of housing rents.

9. Major repairs reserve

Authorities are required to establish and maintain a major repairs reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for HRA dwellings. Authorities are able to charge capital expenditure directly to the reserve.

	2009/10 £000	2010/11 £000
Balance brought forward 1 April	0	0
Transfer from capital adjustment account		
a. Depreciation on operational assets	7,224	7,536
b. Depreciation on non-operational assets	15	11
	7,239	7,547
Transfer to HRA	2,864	(3,881)
Major repairs reserve used to fund capital expenditure	(10,103)	(3,666)
Balance carried forward 31 March	**0**	**0**

10. HRA share of contributions from the pension reserve

Proper accounting practices require that the HRA recognises a share of the full IAS19 costs borne by the Council for defined benefit pension schemes. These costs have been allocated in proportion to employee costs and are set out in the table below. In order to ensure that the costs have no impact on the net deficit or on the level of housing rents, the charges are reversed out of the HRA below net operating surplus.

Local Government Pension Scheme	2009/10 £000	2010/11 £000
Within net cost of services:		
Net current service cost	(238)	(61)
Past service costs	7	(1,672)
Impact of settlements/curtailments	72	61
Within surplus/deficit for the year:		
Interest cost	798	926
Expected return on assets in the scheme	(560)	(773)
Impact on net operating surplus	79	(1,519)
HRA share of contributions from pension reserve	(79)	1,519
Impact on total surplus/deficit	**0**	**0**

11. Housing stock - numbers and valuation

Housing stock numbers	2009/10		2010/11	
	no.	%	no.	%
Houses	5,123	49	5,214	49
Flats	5,269	50	5,262	50
Bungalows	130	1	129	1
	10,522	**100**	**10,605**	**100**

Housing stock movement	2009/10 no.	2010/11 no.
Stock at 1 April	10,540	10,522
Less: sales and demolitions	(23)	(27)
Add: acquisitions	5	9
Add: acquisitions (new build)	0	101
Stock at 31 March	**10,522**	**10,605**

Housing stock valuation	**Net book value 31 March 2010 £000**	**Net book value 31 March 2011 £000**
Property, plant and equipment		
a. Council dwellings	334,968	259,846
b. Other land and buildings	13,856	11,863
c. Infrastructure and community assets	2,488	2,194
d. Vehicles, plant, furniture and equipment	791	1,236
e. Surplus assets not held for sale	662	593
f. Work under construction	1,212	63
Investment property	442	468
Assets held for sale	0	320
Total	**354,419**	**276,583**

12. Vacant possession value

Council dwellings are included in the balance sheet at a value based on existing use value for social housing. This reflects a value for a property as if it were to be sold with sitting tenants, enjoying rents at less than open market value and rights including the option of 'right to buy'. For comparison, the vacant possession value as at 1 April 2010 was £679m (1 April 2009 £688m).

13. Housing repairs account reserve

A HRA repairs account has been established to meet repairs and maintenance expenditure. The movement on the account is set out below.

	2009/10 £000	**2010/11 £000**
Balance brought forward 1 April	0	0
Add: net contribution in the year from HRA	8,004	11,481
Add: other income	261	0
Less: expenditure in the year	(8,265)	(7,600)
Balance carried forward 31 March	**0**	**3,881**

14. Capital expenditure and sources of funding

Capital expenditure	**2009/10 £000**	**2010/11 £000**
Dwellings	12,160	12,160
Other land and buildings	249	249
Infrastructure	13	13
Vehicles, plant, furniture and equipment	850	850
Assets under construction	244	244
Total	**13,516**	**13,516**

Source of funding	**2009/10 £000**	**2010/11 £000**
Major repairs allowance	10,103	3,666
Supported borrowing	2,854	17,162
Capital grants	559	8,949
Other		141
	13,516	**29,918**

15. Capital receipts

Under the Local Government Act 2003, local authorities are required to pay over to the Secretary of State specified amounts of any capital receipts derived from the disposal of an interest in housing land. The specified amounts are 75% in relation to the disposal of dwellings and 50% in relation to the disposal of any other interest in housing land, subject to capital allowances which allow 100% use of certain type of receipts.

	2009/10	**2009/10**	**2009/10**	**2010/11**	**2010/11**	**2010/11**

	Receipts	Pooled	Usable	Receipts	Pooled	Usable
	£000	£000	£000	£000	£000	£000
Dwellings	372	(277)	95	856	(601)	255
Land & other property	0	0	0	330	0	0
Mortgage repayments	31	(23)	8	8	(6)	2
Total	**403**	**(300)**	**103**	**1,194**	**(607)**	**257**

16. Rent arrears

	2009/10 £000	2010/11 £000
Arrears at 31 March	6,884	2,244
Arrears as a percentage of gross rent income	22%	7%
Amounts written off during the year	1,072	4,380
Provision against potential future irrecoverable arrears		
a. Contribution in-year	595	354
b. Balance at year end	5.442	1.416
Gross rent income - dwellings	31,156	32,003

Collection fund

2009/10 £000s		2010/11 £000s	2010/11 £000s	Notes
	Income			
(79,944)	Council tax payers	(80,938)		2
	Transfers from general fund			
(24,989)	- Council tax benefits	(26,190)		
(104,933)			(107,128)	
0	Contribution towards previous years collection fund deficit		0	4
(78,428)	Non-domestic rate payers		(69,344)	5
(183,361)			(176,472)	
	Expenditure			
	Precepts and demands			
9,146	- GM Police Authority	9,836		
3,499	- GM Fire and Rescue Authority	3,588		
90,347	- Salford City Council	90,387		
102,992			103,811	2
	Distribution of previous year's collection fund surplus			
0	- GM Police	0		
0	- GM Fire and Rescue Authority	0		
0	- Salford City Council	0		
0			0	4
	Non-domestic rates			5
77,979	- Payment to national pool	68,895		
449	- Costs of collection	449		
78,428			69,344	
	Adjustment to the provision for uncollectable amounts			3
2,441	- Council tax		2,217	
500	(Surplus)/deficit for the year		(1,100)	
	Movement of fund balance			
600	Accumulated (surplus)/deficit at the beginning of the year		1,100	
500	(Surplus)/deficit for the year		(1,100)	
1,100	Fund balance at the end of the year		**1,100**	4

Notes to the collection fund

1. **General**

Each billing authority is required to maintain a separate collection fund, which shows the transactions of the billing authority in relation to non-domestic rates, council tax and residual community charges and illustrates the way in which these have been distributed to preceptors and the general fund.

2. **Council tax**

All domestic properties are placed in one of nine valuation bands. The government has determined that the council tax level for each of the bands is assessed as a proportion of the tax rate for a band D property.

Each year the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2010/11, the calculation was as follows.

Valuation band	Total no. of dwellings (after discounts)	Proportion to band D	Band D equivalent
A-	116	$^5/_9$	64
A	46,273	$^6/_9$	30,849
B	18,301	$^7/_9$	14,234
C	12,939	$^8/_9$	11,501
D	6,146	1	6,146
E	2,943	$^{11}/_9$	3,597
F	1,230	$^{13}/_9$	1,777
G	745	$^{15}/_9$	1,242
H	65	$^{18}/_9$	130
	88,758		69,540
Less: allowance for losses on collection			(1,426)
Council tax base			68,114

The actual number of chargeable dwellings was 102,209 but, after allowing for single person discounts, empty properties etc., the figure is reduced to 88,758 (88,700 in 2009/10).

Individual charges are calculated by estimating the amount of income required for the services of the Council, the Greater Manchester Police and Fire and Rescue authorities, and dividing this by the council tax base. This gives the basic amount of council tax for a band D property of £1,523.29 in 2010/11 (£1,511.94 in 2009/10). This is multiplied by the proportion specified for the particular band to give the individual amount due for a property.

Council Tax Income	**2010/11 £000s**
Estimated income before allowance for losses in collection (£1,523.29 x 69,540)	105,930
Less: benefits	(26,190)
	79,740
Less: estimated provision for doubtful debts	(2,217)
	77,523
Add: net impact of changes in the property base, discounts, exemptions, etc.	3,415
	80,938

3. **Provision for uncollectable amounts**

	2009/10 £000s	**2010/11 £000s**
Provision at 1 April	8,073	9,238
Less: amounts written off in the year	(1,276)	(1,965)
Add: contribution to the provision in the year	2,441	2,217
Provision at 31 March	**9,238**	**9,490**

The provision is split between the Council and the precepting authorities in the proportions set out below.

	2009/10	**2010/11**

	£000s	£000s
Salford City Council	8,043	8,263
Greater Manchester Police Authority	875	899
Greater Manchester Fire and Rescue Authority	320	328
Provision as at 31 March	**9,238**	**9,490**

4. Collection fund surpluses and deficits

Regulations require the Council to make estimates in January each year of the deficit or surplus likely to arise at the end of the financial year in respect of both community charge and council tax transactions. The amounts so estimated are to be transferred into or out of the collection fund in the following financial year. Any such balance relating to council tax is required to be distributed to/borne by the Council and the Greater Manchester Police and Fire and Rescue authorities in proportion to the value of their respective demand and precept.

The estimates for 2009/10 and 2010/11 both provided for a break even position on the fund at 31 March 2010 and 31 March 2011 respectively and therefore no associated distributions were made in 2010/11 or will be made in 2011/12.

The estimated fund balance is attributable to the Council and the major precepting authorities as follows.

Collection fund balance	**31 March 2010 £000**	**31 March 2011 £000**
Salford City Council	958	958
Greater Manchester Police Authority	104	104
Greater Manchester Fire and Rescue Authority	38	38
Total deficit/(surplus)	**1,100**	**1,100**

5. Non-domestic rates

The Council collects non-domestic rates for its area, based on local rateable values multiplied by a uniform rate. This rate is fixed by Government and in 2010/11 was 41.4p in the pound (2009/10 48.5p). For businesses qualifying for small business rate relief, the rate applied was 40.7p (2009/10 48.1p).

The total amount due, less certain reliefs and other deductions, is paid to a national pool administered by the Government. The pool is then redistributed to local authorities on the basis of a fixed amount per head of population.

The local rateable value of non-domestic properties at 31 March 2011 was £226.4m (£202.0m at 31 March 2010).

The amount of income in the year is significantly different to the yield from a simple multiplication of the rateable value by the rate in the pound. The difference is explained below.

	2009/10 £m	**2009/10 £m**	**2010/11 £m**	**2010/11 £m**
Anticipated charges based on the rateable value at preceding 31 March		**98.0**		**92.1**
(Less)/add:				
Exemptions and small business rate relief	(10.5)		(12.8)	
Net impact of changes in rateable values in the year	(2.9)		(5.1)	
Allowances and other reliefs	(5.1)		(3.7)	
Impact on collection of rate deferral scheme	(0.3)		0.1	
Net adjustment to the provision for bad debts	(0.4)		(1.3)	
		(19.2)		(22.8)
Income from business ratepayers		**78.8**		**69.3**
Less costs of collection		(0.4)		(0.4)
Contribution to the NNDR pool		78.4		68.9

Part III group accounts

The Salford City Council group of companies

The following pages contain the consolidated accounts of the Salford City Council group of companies, including its share of its subsidiaries, associates and joint ventures for the financial year ended 31 March 2011.

Group undertakings can be of several types, and the accounting treatment for each is different. Each entity in which the Council has an interest has therefore been assessed to determine which category it falls under.

Subsidiaries are where the Council exercises control. Salix Homes Ltd is classified as a subsidiary of the Council and as such is incorporated into the accounts on a line-by-line basis.

Associates are where the Council exercises significant influence. Higher Broughton Partnership LP, Salford Hundred Venture and Urban Vision Partnership Ltd are classified as associates and as such, are incorporated into the accounts on an equity basis.

Joint Ventures are where the Council exercises joint control with other entities. Higher Broughton (GP) Ltd, Trinity ICP Ltd and City of Salford Community Stadium Ltd are classified as joint ventures with the Council and as such, are incorporated into the accounts on an equity basis.

Where the Council has an interest in an entity but this interest is insufficient for it to be considered one of the above types of group companies, it is treated as a simple investment. The Council holds several such investments, disclosed in the related party notes to the balance sheet in the single entity accounts.

No group relationship exists where the body delivering the service is not an entity in its own right, for example Section 31 Pooled Budgets or where a partnership does not currently have a legal status, or where the Council has no interest in an entity, for example the vast majority of companies with which the Council trades.

Subsidiaries

Salix Homes Ltd

Salix Homes Ltd is an ALMO (arms-length management organisation) of the Council and was formed in July 2007. The company's principal activities are to manage and maintain the housing stock of the Council.

The Parent Board of Salix Homes Ltd comprises four tenant representatives, four Council nominees and four independents.

Further information and details of the financial statements of Salix Homes Ltd may be obtained from the Company Secretary, Salix Homes Ltd., Diamond House, Peel Cross Road, Salford M5 4DT.

Associates

Higher Broughton Partnership LP

Higher Broughton Partnership LP is a Joint Venture Limited Partnership whose objective is to regenerate an area of the city of Salford.

The Council has a 19% stake in the partnership and has three of the seven directors on the board.

Higher Broughton Partnership has been incorporated into the group accounts of the Council as an associate. As the partnership's financial year runs from 1 January to 31 December interim accounts have been prepared for consolidation, using management accounting information for the periods January to March.

Further information and details of financial statements can be obtained from the Company Secretary, Higher Broughton Partnership LP, 1 Victoria Square, Birmingham B1 1BD.

Salford Hundred Venture Ltd

The principal activity of the company is to provide aid towards the creation and promotion of small businesses in the Salford area.

The Council has an 11% stake in the company and one of the five directors is a Council member.

Salford Hundred Venture Ltd has been incorporated into the group accounts of the Council as an associate.

Further information and details of financial statements can be obtained from the Company Secretary, Salford Hundred Venture Ltd, Business Link House, 33-35 Winders Way, Off Frederick Road, Salford M6 6BU

Urban Vision Partnership Ltd

On 19 January 2005, Salford City Council approved the creation of Urban Vision Partnership Ltd, a new joint venture to deliver most of the services previously provided by its Development Services Directorate.

Urban Vision Partnership Ltd is a multi-disciplinary joint venture company which provides the full range of professional services in connection with the built environment and has the capacity and capability to deliver a wide range of professional development regeneration consultancy services.

The Council owns 199 £1 ordinary shares, equivalent to 19.9% of share capital. One of the seven directors on the board represents the Council. The Council also has certain powers of veto over the operation of Urban Vision.

Urban Vision Partnership Ltd has been incorporated into the group accounts of the Council as an associate.

Further information and details of financial statements can be obtained from the Company Secretary, Urban

Vision Partnership Ltd., Emerson House, Albert Street, Eccles, Manchester M30 0TE.

Joint ventures

Higher Broughton (GP) Ltd

The principal activity of the company is to manage the business of the Higher Broughton Partnership LP.

The Council owns 19% of the shares in Higher Broughton (GP) Ltd. Three of the seven directors on the board represent the Council.

The company's financial year runs from 1 January to 31 December, but to date all in-year transactions of the project go through the Limited Partnership accounts, so the accounts for this company have not changed between 31 December 2008 and 31 March 2009 and the published accounts have been used in the consolidation.

Further information and details of financial statements can be obtained from the Company Secretary, Higher Broughton (GP) Ltd., 35 St. Paul's Square, Birmingham, B3 1QX.

Trinity ICP

The principal activity of this joint venture company is to develop the 0.1 hectare site that was acquired from the Guardian Media Group by Bruntwood Ltd and Salford City Council with the support of the North West Regional Development Agency. The company was incorporated on 17 September 2007 and the Council holds 1,570,500 “A” ordinary shares of £1 each which represents 50% of the share capital.

For the period ended 31 March 2010 no profit was made and the net worth was £3,147,523,

Further information can be obtained form the Company Secretary, City Tower, Piccadilly Plaza, Manchester M1 4BD.

City of Salford Community Stadium Ltd

The principal activity of this company is to develop a community stadium on the Barton site. The company was incorporated on 16th April 2010 and the Council holds 5,000,000 ordinary shares of £1 each which represents 50% of the share capital. In addition, the Council also own 1,666,666 preference shares at £1 each, but these preference shares do not hold voting rights and are redeemable.

For the period ended 31 March 2011 a loss of £17,497 and had a net worth of £11,649,169

Council's share in its subsidiaries and associates

The following table identifies the Council's aggregate share in its subsidiaries and associates.

	Subsidiaries £000s	Associates £000s
Turnover	24,862	8,474
Fixed assets	241	20,497
Current assets	3,184	2,795
Liabilities due within one year	(3,238)	(2,319)
Liabilities due after one year	0	0
Surplus/(Deficit)	2,332	91

Council's share in its joint ventures

The following table identifies the Council's share in each of its individual joint ventures and an aggregated total.

	City of Salford Community Stadium Ltd £000s	Trinity ICP £000s	Total Joint Ventures £000s
Turnover	0	18	18
Expenses	(9)	(18)	(27)
Surplus/Deficit	(9)	0	(9)
Fixed assets	9,054	1,609	10,663
Current assets	301	1	302
Liabilities due within one year	(972)	(36)	(1,008)
Liabilities due after one year	(1,735)	0	(1,735)

Group Movement in reserves statement (MiRS)

2010/11	General fund balance £0	Earmarked general fund reserves £0	Housing revenue account £0	Earmarked HRA reserves £0	Capital receipts reserve £0	Major repairs reserve £0	Capital grants unapplied £0	**Total usable reserves** £0	Unusable reserves £0	**Total Council Reserves**	Council's share of reserves of subsidiaries, associates and joint ventures	**Total Council reserves** £0
Balance at 31 March 2010	**7,626**	**30,249**	**1,267**	**0**	**0**	**0**	**5,126**	**44,268**	**(91,335)**	**(47,067)**	**(6,371)**	**(53,440)**
Movement in reserves during 2010/11												
Surplus or (deficit) on the provision of services	96,101		(92,002)					**4,099**		4,099	2,413	**6,512**
Other comprehensive income and expenditure								**0**	209,044	209,044	2,693	**211,737**
Total comprehensive income and expenditure	**96,101**	**0**	**(92,002)**	**0**	**0**	**0**	**0**	**4,099**	**209,044**	**213,143**	**5,106**	**218,249**
Adjustments between group accounts and Council accounts	0	0	0	0	0	0	0	**0**	0	**0**	0	**0**
Net increase/decrease before transfers	**96,101**	**0**	**(92,002)**	**0**	**0**	**0**	**0**	**4,099**	**209,044**	**213,143**	**5,106**	**218,249**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(106,166)		92,040				8,408	**(5,718)**	5,718	**0**		**0**
Net increase/decrease before transfers to earmarked reserves	**(10,065)**	**0**	**38**	**0**	**0**	**0**	**8,408**	**(1,619)**	**214,762**	**213,143**	**5,106**	**218,249**
Transfers to/from	9,563	(9,563)						**0**		**0**		**0**

earmarked reserves (note 8)												
Increase/decrease in 2010/11	**(502)**	**(9,563)**	**38**	**0**	**0**	**0**	**8,408**	**(1,619)**	**214,762**	**213,143**	**5,106**	**218,249**
Balance at 31 March 2011	**7,124**	**20,686**	**1,305**	**0**	**0**	**0**	**13,534**	**42,289**	**123,427**	**166,076**	**(1,265)**	**164,810**

2009/10 comparatives	General fund balance	Earmarked general fund reserves	Housing revenue account	Earmarked HRA reserves	Capital receipts reserve	Major repairs reserve	Capital grants unapplied	**Total usable reserves**	Unusable reserves	**Total Council Reserves**	Council's share of reserves of subsidiaries, associates and joint ventures	**Total Council reserves**
	£0	£0	£0	£0	£0	£0	£0	£0	£0			£0
Balance at 31 March 2009	7,610	24,344	1,218	0	0	0	4,125	**37,297**	249,518	286,815	(766)	**286,049**
Movement in reserves during 2009/10												
Surplus or (deficit) on the provision of services	(34,013)		(8,114)					**(42,127)**		**(42,127)**	(244)	**(42,371)**
Other comprehensive income and expenditure								**0**	(291,758)	**(291,758)**	(5,362)	**(297,120)**
Total Comprehensive Income and Expenditure	**(34,013)**	**0**	**(8,114)**	**0**	**0**	**0**	**0**	**(42,127)**	**(291,758)**	**(333,884)**	**(5,606)**	**(339,491)**
Adjustments between group accounts and Council accounts												
Net increase/decrease before transfers	**(34,013)**		**(8,114)**	**0**	**0**	**0**	**0**	**(42,127)**	**(291,758)**	**(333,885)**	**(5,606)**	**(339,491)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	39,948		8,163				985	**49,096**	(49,095)	**1**		**1**
Net Increase/Decrease before Transfers to Earmarked Reserves	**5,935**	**0**	**49**	**0**	**0**	**0**	**985**	**6,969**	**(340,853)**	**(333,884)**	**(5,606)**	**(339,490)**
Transfers to/from earmarked reserves	(5,920)	5,921										

(note 8)												
Increase/decrease in 2009/10	**15**	**5,921**	**49**	**0**	**0**	**0**	**985**	**6,969**	**(340,853)**	**(333,884)**	**(5,606)**	**(339,490)**

Group Comprehensive income and expenditure statement (CIES)

2009/10 Gross Expenditure £000	Gross Income £000	Net Expenditure £000		2010/11 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
33,655	(30,394)	3,261	Central services to the public	33,596	(31,072)	2,524
154,187	(41,608)	112,579	Cultural, environmental, regulatory and planning services	136,498	(29,193)	107,305
257,263	(198,321)	58,942	Education and children's services	290,499	(205,511)	84,988
53,159	(22,290)	30,869	Highways and transport services	47,426	(10,161)	37,265
42,610	(39,414)	3,196	Local authority housing (HRA) (Note 1)	119,894	(33,095)	86,799
143,677	(114,607)	29,070	Other housing services	140,028	(119,545)	20,483
113,060	(44,640)	68,420	Adult social care	110,337	(42,576)	67,761
5,513	(563)	4,950	Corporate and democratic core	5,730	(412)	5,318
6,804	0	6,804	Non-distributed costs	(97,349)	0	(97,349)
809,928	**(491,837)**	**318,091**	**Cost of Services**	**786,659**	**(471,565)**	**315,094**
		7,406	Other operating expenditure			(688)
		33,920	Financing and investment income and expenditure (Note 2)			26,727
		0	Surplus or deficit of discontinued operations			
		(317,046)	Taxation and non-specific grant income			(347,547)
		42,371	**(Surplus) or Deficit on Provision of Services (Note 7)**			**(6,414)**
		(168)	Share of the surplus or deficit on the provision of services by associates (Note 3)			(116)
		59	Tax expenses of subsidiaries (Note 5)			4
		0	Tax expenses of associates (Note 6)			13
		42,262	**Group (Surplus)/Deficit**			**(6,513)**
		20,858	Surplus or deficit on revaluation of non-current assets			(30,844)
		0	Surplus or deficit on revaluation of available-for-sale financial assets			
		276,370	Actuarial gains/losses on pension assets / liabilities (Note 4)			(180,893)
		0	Share of other comprehensive income and expenditure of associates and joint ventures			
		297,228	**Other Comprehensive Income and Expenditure**			**(211,737)**
		339,490	**Total Comprehensive Income and Expenditure**			**(218,250)**

Group Balance sheet (BS)

01 Apr 10 2009 £000	31 Mar 10 2010 £000		Notes	31 Mar 10 2011 £000	31 Mar 10 2011 £000
949,388	901,056	Property, plant and equipment (Note 8)		869,395	
7,556	7,410	Investment property		7,914	
281	8	Intangible assets (Note 9)			
		Assets held for sale			
28,807	26,160	Long term investments (Note 11)		15,986	
1,897	1,980	Investments in Associates and Joint Ventures (Note 12)		8,728	
13,991	16,096	Long term debtors		19,750	
		Deferred Tax Asset			
1,001,920	**952,710**	**Long term assets**			921,773
26,551	12,128	Short term investments		30,882	
321	334	Assets held for sale		790	
736	778	Inventories		789	
71,870	78,535	Short term debtors		86,471	
20,708	48,415	Cash and cash equivalents (Note 13)		20,660	
		Current Tax Asset			
120,186	**140,190**	**Current assets (Note 14)**			139,592
		Cash and cash equivalents			
(176,926)	(187,853)	Short term borrowing		(174,857)	
(67,642)	(86,429)	Short term creditors		(70,563)	
		Provisions			
		Liabilities in disposal groups			
	(4)	Current Tax Liability		(4)	
(244,568)	**(274,286)**	**Current liabilities (Note 15)**			(245,424)
(73,106)	(71,159)	Long term creditors		(55,686)	
(28,309)	(25,907)	Provisions		(25,288)	
(296,104)	(293,965)	Long term borrowing		(354,849)	
(193,115)	(480,067)	Other long term liabilities		(207,228)	
		Donated assets account			
(854)	(953)	Capital grants receipts in advance		(8,079)	
		Deferred Tax Liability			
(591,488)	**(872,051)**	**Long term liabilities**			**(651,130)**
286,049	**(53,437)**	**Net assets**			(164,811)
37,517	44,825	Usable reserves (Note 17)			43,677
248,531	(98,262)	Unusable reserves (Note 16)			121,136
286,049	**(53,437)**	**Total reserves**			(164,811)

Group cash flow statement

2009/10 £000		2010/11 £000
42,316	Net (surplus) or deficit on the provision of services	**(6,435)**
(92,497)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	**30,655**
(2,022)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(3,189)**
(52,203)	Net cash flows from Operating Activities (Note 19)	**21,031**
34,073	Investing Activities (Note 20)	**45,024**
(9,577)	Financing Activities (Note 21)	**38,666**
(27,707)	Net (increase) or decrease in cash and cash equivalents	**27,389**
20,708	Cash and cash equivalents at the beginning of the reporting period	**48,415**
48,415	Cash and cash equivalents at the end of the reporting period (Note 19)	**21,025**

Notes to group accounts

Index to notes:

1. Accounting Policies

The group accounts include the Council's share of the operating results, assets and liabilities of each group entity's accounts, rather than just the historical cost of the investment. Subsidiaries are accounted for on an acquisition basis and incorporated line-by-line, writing out inter-group transactions. Associates and joint ventures are incorporated by accounting for the Council's share of their operating results in the group income and expenditure account and of their assets in the group balance sheet.

Furthermore, it is necessary that group accounts are internally consistent, i.e. that each group entity's accounts are adjusted so that all are presented adopting the same policies. The policies adopted are those that apply to the Council, as set out in this section.

In these accounts, interim financial statements have been used for any entities with a financial year that differs from the Council's of 1 April to 31 March. These interim statements have been produced using the entities' annual financial statements and relevant management accounting information.

2. Adjustments between group accounts and Council account

There have been no adjustments between group accounts and Council accounts in 2010/11.

3. Housing revenue account (HRA)

The operating expenditure and income of Salix Homes Ltd including FRS17 current service pension cost, has been included within the housing revenue account line on the group income & expenditure account.

Intragroup transactions between the Council and Salix Homes Ltd have been removed from the income and expenditure figures of both accounts. Salix Homes Ltd adjusted income is £0.124m and adjusted expenditure is £20.934m (adjusted income was £0.472m and adjusted expenditure was £23.061m in 2009/10).

4. Financing and investment income and expenditure

	2009/10 £000	2010/11 £000
Interest Receivable:		
Salix Homes	13	14
Urban Vision	0	1
Interest Payable:		
Higher Broughton (GP)	(55)	(22)
Total	**(42)**	**(7)**

5. Share of the surplus or deficit on the provision of services by associates

This includes the percentage share of operating results for the associate companies: Higher Broughton Partnership LP – surplus of £81,000 in 2010/11 (surplus of £186,000 in 2009/10, £32,000 relating to 2009/10 and £154,000 to correct a misreporting from 2008/09 when the company was incorrectly reported to be dormant); and Urban Vision Partnership Ltd. – surplus of £43,000 in 2010/11 (loss of £18,000 in 2009/10, £109,000 surplus relating to 2009/10 and a negative £127,000 adjustment to surpluses previously reported).

6. Defined benefit pension scheme

Salix Homes Ltd operates the same Local Government Pension Scheme (LGPS) for its employees as that operated by Salford City Council and described in the single entity statements.

The following table summarises the additional transactions for Salix Homes Ltd that are included in the group income and expenditure account.

	Salix Homes	
	2009/10 £000s	2010/11 £000s
Comprehensive income and expenditure statement		
Within cost of services:		
Current service cost	504	1,039
Past service cost	11	(2,257)
Impact of settlements and curtailments	0	0
Within financing and investment income and expenditure:		
Interest cost	638	929
Expected return on scheme assets	(492)	(796)
Net charge to surplus or deficit on the provision of services	**661**	**(1,085)**
Actual amount of employer's contributions payable to scheme	679	761
Employer’s contribution rate	15.10%	15.10%

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2011 is a loss of £2.587m (2009/10 £5.280m.

Reconciliation of present value of scheme liabilities

	Salix Homes Ltd Funded liabilities: Local Government Pension Scheme	
	2009/10 £000s	2010/11 £000s
Opening defined benefit obligation	(8, 835)	(18,067)
Current service cost	(504)	(1,039)
Interest cost	(638)	(929)
Contributions by members	(311)	(329)
Actuarial gains/(losses)	(7,768)	(77)
Past service costs	(11)	2,257
Gains/(losses) on curtailments	-	-
Estimated benefits paid	-	181
Liabilities extinguished on settlement	-	-
Closing defined benefit obligation	**(18,067)**	**(18,003)**

Reconciliation of fair value of scheme assets

	Salix Homes Ltd assets: Local Government Pension Scheme	
	2009/10 £000s	2010/11 £000s
Opening asset balance	7,320	11,100
Expected return on assets	492	796
Contributions by members	311	329
Employer contributions	679	761
Actuarial gains/(losses)	2,298	2,770
Benefits paid	-	(181)
Assets distributed on settlement	-	-
Closing asset balance	**11,100**	**15,575**

The actual return on scheme assets in the period was a gain of £0.775 (2009/10 £2.794m) for Salix Homes Ltd.

History of scheme balance

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000

Salix Homes Ltd					
Fair value of employer assets	-	7,785	7,320	11,100	15,575
Present value of defined benefit obligation	-	(8,283)	(8,835)	(18,067)	(18,003)
Surplus/(deficit)	-	(498)	(1,515)	(6,967)	(2,428)

History of experience gains and losses

Actuarial gains (and losses), measured as a percentage of assets and liabilities at the period end, are set out below.

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Salix Homes Ltd					
Difference between the expected and actual return on assets	-	(12.1)	(27.2)	20.7	17.8
Experience gains (/losses) on liabilities	-	0.0	0.0	0.0	0.0

*Measured as proportion of assets prior to settlement.

7. Tax expenses of subsidiaries

This figure represents the Council's share of the Corporation Tax due by its subsidiary Salix Homes Ltd £4,000 (£30,000 in 2009/10).

8. Tax expenses of associates

This figure represents the Council's share of the Corporation Tax due by its associate Urban Vision Partnership Ltd, £13,000 (£29,000 in 2009/10).

9. (Surplus)/deficit on the provision of services

This figure represents the amount of the total Group deficit attributable to the Council's subsidiaries Salix Homes Ltd, surplus of £2,332,000 (surplus of £81,000 in 2009/10), and NPHL, surplus/deficit of £0 (deficit of £300,000 in 2009/10).

10. Property, plant and equipment

This figure includes the fixed assets of the subsidiary Salix Homes Ltd £192,000 (£241,153 in 2009/10).

11. Intangible assets

No goodwill arose in respect of the subsidiaries as the Council set up the companies and retained ownership of the fixed assets.

12. Financial Instruments

Details of financial instruments can be found in note 15 to the Council-only financial statements.

13. Long term investments

Investments figure is the figure in the Salford single entity accounts adjusted to exclude amounts invested in joint ventures.

14. Investments in Associates and Joint Ventures

	2009/10	2010/11
	£m	£m
Higher Broughton LP	(0.243)	(0.030)
Salford Hundred Venture	0.130	0.130
Urban Vision	0.364	0.396
Trinity ICP	1.575	1.574

City of Salford Community Stadium Ltd	0	6.658
Total	**1.826**	**8.728**

15. Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2010 £000	31 March 2011 £000
Cash and cash equivalents held by the Council	18,424	46,025
Cash and cash equivalents held by Salix Homes	2,390	2,783
	20,814	**48,808**

16. Current assets

The current assets in this figure have incorporated the assets of the subsidiary Salix Homes Ltd £3.530m (£3.184m 2009/10) and intra group debtors have been removed from the Council's and Salix Homes Ltd figures.

17. Current liabilities

The current liabilities in this figure have incorporated the liabilities of the subsidiary Salix Homes £3.048m (£3.145m in 2009/10), of which £4,000 relates to a Corporation Tax liability. Intra group creditors have been removed from both the Council's and subsidiary figures.

18. Unusable Reserves

Unusable reserves is the Council only figure adjusted for unusable reserves from the subsidiary Salix Homes Ltd of -£1.902m (-£6.918m in 2009/10), and Salford Hundred Venture Ltd of 0.130m (0.130m in 2009/10).

19. Usable Reserves

The figure includes the Council's share of the accumulated profits and losses made by the subsidiary, associate and joint venture companies:-

	Balance 31 March 2010 £000	Balance 31 March 2011 £000
Salix Homes Ltd	281	674
Higher Broughton LP	(89)	(30)
Salford Hundred Venture Ltd	0	0
Urban Vision Ltd	364	396
City of Salford Community Stadium Ltd	0	(9)
Total unusable reserves	**556**	**1,030**

20. Cash-Flow Statement

The group cash flow statement summarises the inflows and outflows of cash arising from transactions with parties outside the group.

20. Cash flow statement – operating activities

The cash flows for operating activities include the following items:

	31 March 2010 £000	31 March 2011 £000
Interest received	(3,660)	(291)

Interest paid	20,994	18,908
Dividends received	(1,006)	(1000)

21. Cash flow statement – investing activities

	31 March 2010 £000	31 March 2011 £000
Purchase of property, plant and equipment, investment property and intangible assets	60,533	82,234
Purchase of short-term and long-term investments	301	6,667
Other payments for investing activities	61,843	64,158
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,010)	(15,323)
Capital Grants	(69,462)	(84,049)
Proceeds from short-term and long-term investments	(12,136)	(8,667)
Other receipts from investing activities	0	0
Income Tax Paid	4	4
Net cash flows from investing activities	34,069	**45,024**

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22. Cash flow statement – financing activities

	31 March 2010 £000	31 March 2011 £000
Cash receipts of short- and long-term borrowing	(176,013)	(213,053)
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,553	2,749
Repayments of short- and long-term borrowing	168,545	176,929
Other payments for financing activities	(3,662)	0
Net cash flows from financing activities	(9,577)	**(38,666)**

23. Contingent Liabilities

Details of contingent liabilities relating to the group can be found in the single entity accounts in note 48.

24. Amounts Reported for Resource Allocation Decisions

Results of group members are not reported in internal management reports. Therefore, the group members' results are not reportable segments but included as items not reported to management for decision making purposes. They will be consolidated below as adjusting items in the reconciliation.

Reconciliation of segment income and expenditure to cost of services in the group comprehensive income and expenditure statement

This reconciliation shows how the figures in the analysis of segment income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Cost of services in service analysis	237,926	225,975
Add services not included in main analysis	0	0
Net Expenditure of Subsidies not included in the analysis	202	(2,322)
Add notional amounts not reported to management	134,425	109,186

Remove amounts reported to management not included in CIES	(54,462)	(17,745)
Net cost of services in CIES	**318,091**	**315,094**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of segment income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Group Comprehensive Income and Expenditure Statement.

	Service analysis	Amounts not reported to management	Net expenditure of subsidiaries not included in analysis	Reported to management but not included in cost of services	Allocation o recharges
	2010/11	2010/11	2010/11	2010/11	2010/11
	£000	£000	£000	£000	£000
Employee expenses	248,181	(79,792)	5,517	(23,900)	(17,427
Other service expenses	498,568	(1,832)	17,593	(14,202)	(9,319
Support service recharges	27,572				(27,572
Depreciation, amortisation and impairment		190,810	54		
Interest payments	17,965			(17,965)	
Payments to Housing capital receipts pool					
Gain or loss on disposal of fixed assets					
Total operating expenses	**792,286**	**109,186**	**23,164**	**(56,067)**	**(54,318**
Fees, charges & other service income	(201,711)		(25,486)	543	54,31
Surplus/Deficit on Associates and Joint Ventures			21		
Interest and investment income	(1,964)		(14)	1,964	
Income from council tax					
Government grants and contributions	(362,636)			35,815	
Total income	**(566,311)**	**0**	**(25,479)**	**38,322**	**54,31**
Surplus or deficit on the provision of services	**225,975**	**109,186**	**(2,315)**	**(17,745)**	

	Service analysis	Not reported to management	Net expenditure of subsidiaries not included in analysis	Reported to management but not included in cost of services	Allocation o recharges
	2009/10	2009/10	2009/10	2009/10	2009/10
	£000s	£000s	£000s	£000s	£000s
Employee expenses	246,524	17,573	7,133	(22,800)	(15,314
Other service expenses	486,380	(3,716)	17,878	(14,021)	(8,501
Support service recharges	26,695				(26,695
Depreciation, amortisation and impairment		120,568	53		
Interest payments	20,738			(20,738)	
Payments to Housing capital receipts pool					
Gain or loss on disposal of fixed assets				(7)	
Total operating expenses	**780,337**	**134,425**	**25,064**	**(57,566)**	**(50,510**
Fees, charges & other service income	(212,051)		(24,862)	528	50,51
Surplus/Deficit on Associates and Joint Ventures			55		
Interest and investment income	(2,576)		(13)	2,576	

Income from council tax					
Government grants and contributions	(327,784)				
Total income	**(542,411)**	**0**	**(24,820)**	**3,104**	**50,51**
Surplus or deficit on the provision of services	**237,926**	**134,425**	**244**	**(54,462)**	

Part IV other information

This part is for information only. It does not form part of the audited financial statements.

General statistics

31 March 10		31 March 11
	People	
	Population (estimated by the Registrar General from the 2001 census)	
12,205	Under 5	12,205
35,146	5-17	35,146
134,933	18-64	134,933
18,179	65-74	18,179
15,896	75 and over	15,896
216,359	Total	**216,359**
	Place	
97	Area (square kilometres)	**97**
	Politics	
	Political make-up of the Council as at 31 March	
36	Labour	39
13	Conservative	13
7	Liberal Democrat	5
4	Independent	3
60		**60**
	Political make-up of the Council following the local election	**6 May 11**
	Labour	44
	Conservative	11
	Liberal Democrat	3
	Independent	2
		60

Glossary

This section is intended to provide an easily understandable guide to what may be unfamiliar terms used in this document and other Council financial publications. Descriptions of accounting terms may therefore be simplified and not be in strict accordance with their true accounting meaning as used in the audited statements.

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because (a) events have not coincided with the actuarial assumptions made for the last valuation or (b) the actuarial assumptions have changed.

Agency services

Services which are performed by or for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) for the cost of the work carried out.

Aggregate external finance (AEF)

The financial support provided by Government for revenue expenditure on services that impact on the council tax. AEF comprises revenue support grant, redistributed national non-domestic rates, and specific grants.

Amortisation

The accounting technique of recognising a cost in the revenue account over a period of years rather than when the initial payment is made. Its purpose is to charge the cost over the accounting periods that gain the benefit of the item paid for.

Appointed auditors

External auditors of local authorities appointed by the Audit Commission. In the Council's case they are from the Commission's own operations division.

Area-based grant (ABG)

To increase local flexibility over the use of resources and reduce reporting requirements, the government consolidated a number of former service-specific grants into ABG. ABG is a non-ring-fenced general grant that currently runs for three years from 2008/09 to 2010/11.

Arms-length management organisation (ALMO)

An ALMO is a company set up to manage and improve council housing stock. It is owned by the local authority but operates "at arms-length" under a management agreement between it and the local authority.

Assets

Items of worth which are measurable in money terms. Current assets are ones that may change in value on a day-to-day basis (e.g. stocks). Non-current, or “fixed”, assets are tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

Audit

See external audit.

Associate

An entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

Budget requirement

The estimated revenue expenditure on general fund services that need to be financed from the council tax after deducting income from fees and charges, certain specific grants and any funding from reserves. It is referred to by the Secretary of State for Communities and Local Government when deciding the criteria for capping local authority revenue expenditure.

Business improvement districts (BIDs)

A Government initiative whereby additional services or improvements which are of benefit to the community in a particular area can be funded by a levy raised by an addition to the non-domestic rate. The Council does not have any BIDs.

Business rates

See under national non-domestic rates (NNDR)

Cabinet

The Cabinet comprises the Leader of the Council, Deputy Leader plus the eight Lead Members. The Council constitution sets out the roles of individual Cabinet members and details of their respective portfolios.

Capital expenditure

Expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing fixed asset. Capital expenditure is charged to the revenue account over a number of years via a capital financing charge.

Capital financing charges

The annual charge to the income & expenditure account in respect of the minimum revenue provision and interest on money borrowed together with leasing rentals.

Capital financing requirement (CFR)

A measure of an authority's underlying need to borrow to finance its investment. Calculated by aggregating fixed assets, revenue expenditure funded from capital under statute, fixed asset restatement account, capital financing account and government grants deferred from the balance sheet.

Capital grants

Grants received towards capital expenditure on a particular service or project.

Capital receipts

Money received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

With effect from 1 April 2004 75% of housing dwelling capital receipts and 50% of other housing receipts must be paid to the Secretary of State; the balance is available for financing capital expenditure.

Capping

A system of controlling the spending of local authorities whereby the Government limits a local authority's budget requirement and hence the council tax it sets either because it is deemed excessive or is deemed to show an excessive increase over the previous year.

CIPFA

The Chartered Institute of Public Finance and Accountancy, the professional accountancy body for public services.

Code of practice on local authority accounting in the UK (“the Code”)

Published by CIPFA, this document interprets the application of IFRSs to local authority accounting.

Collection fund

The transactions of the Council as a charging authority in relation to non-domestic rates and council tax.

Community assets

Assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and in addition may have restrictions on their disposal. Examples include parks, historical buildings not used for operational purposes, works of art, museum exhibits and statues.

Comprehensive spending review (CSR)

The Government's three-year forecast of planned expenditure, including overall provision for local authorities.

Council tax

The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its collection fund for distribution to precepting authorities and for use by its own general fund.

Council tax benefit

Assistance provided by billing authorities to adults on low incomes to help them pay their council tax bill. The cost to authorities of council tax benefit is largely met by government grant.

Creditors

Amounts owed by the Council for goods and services provided where payment has not been made at the date of the balance sheet.

Current service costs

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, ie the ultimate pension benefits "earned" by employees in the current year's employment.

Debt charges

A term sometimes used to refer to capital financing costs.

Debtors

Sums of money due to the Council but not received at the date of the balance sheet.

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined contribution scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEFRA

Government Department for Environment, Food and Rural Affairs.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Derecognition

Where an asset or liability has previously been held (“recognised”) on the balance sheet, but proper practice now requires that it be removed, it is “derecognised”.

Direct revenue financing

The method of financing capital expenditure directly from revenue. The Council may determine that certain capital schemes should be financed in this way or alternatively may include a prescribed sum in the revenue budget for this purpose.

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council’s discretionary powers.

External audit

The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the authority has made proper arrangements to secure value for money in its use of resources.

Fair value

The price at which an asset could be exchanged in an arm’s length transaction, less any grants receivable towards the purchase or use of the asset.

Finance lease

A lease of land, buildings or equipment where the substance of the transaction is that the balance of risks and rewards of holding the asset is borne by the lessee. It is accounted for in a similar manner to borrowing.

Financial regulations

A written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

Financial reporting standards (FRSs)

The Council's accounts are now prepared under International financial reporting standards (IFRSs). See that entry.

General fund

The total revenue services of the Council except for the housing revenue account. The net cost is met by the collection fund, government grants and re-distributed NNDR. Any accumulated surplus is known as the general fund balance, a useable reserve.

Housing benefit

An allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but Government refunds part of the cost of the benefits and of the running costs of the services to local authorities. Benefits paid to the authority's own tenants is known as rent rebate and that paid to private tenants as rent allowance.

Housing investment programme (HIP)

Annual submissions by local authorities to Government which outline the strategy for meeting housing needs and details capital spending plans. HIP submissions are used by the Department for Communities and Local Government as the basis for issuing annual capital guidelines for housing to local authorities.

Housing revenue account (HRA)

Local authorities are required to maintain a separate account - the housing revenue account - which sets out the expenditure and income arising from the provision of council housing. Other services are charged to the general fund.

HRA Subsidy

A government grant paid to some housing authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

Income

Amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment - income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

Infrastructure assets

These are assets which generally cannot be sold, from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges, and water and drainage facilities.

International financial reporting standards (IFRSs)

Statements prepared by the International Accounting Standards Board to ensure consistency in accountancy matters. Local government accounts follow these standards which are interpreted through the Code of practice on local authority accounting in the UK, published by CIPFA.

Joint venture

An entity in which the reporting authority has an interest on a longer term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

Liquid resources

Current asset investments that are readily disposable by the Council without disrupting its activities and are readily convertible to known amounts of cash.

Loan charges

A term sometimes used to refer to capital financing charges.

LOBO ("lender offer borrower option")

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Local area agreements

Government initiative to improve co-ordination between Government and local authorities and their partners, working through local strategic partnerships.

Local authority business growth incentives (LABGI)

A grant to stimulate economic development by allowing local authorities to retain a share of extra revenue raised through national non domestic rates from new business property. The grant is linked to the increase in the total rateable value.

Local authority finance settlement (LAFS)

The product of the annual consultation process between central and local government which sets funding levels for local government in the following year. LAFS is announced in late November/early December following the Chancellor of the Exchequer's November statement on public expenditure.

Local improvement finance trust (LIFT)

A health sector programme similar to the private finance initiative (PFI). Salford NHS PCT has a number of LIFT schemes in the city of Salford and the Council has a shared interest in some of these under the “Gateway” banner. The Gateway centres provide health, library and one-stop shop services under one roof.

Local public service agreements (LPSAs)

Agreements between the government and local authorities to deliver improved outcomes in key areas in return for greater flexibility and rewards for success.

Local schools budget (LSB)

This includes all planned expenditure on maintained schools, ie the expenditure managed centrally by the local education authority and that delegated to schools via the individual schools budget (ISB) funding formula.

Material/ity

The accounts are prepared so that significant – or “material” – aspects are reported. Materiality is a judgement that is determined usually by virtue of the monetary value of the item, but also by other factors, for example public interest in officers’ remuneration. An item that is not material is one that would not affect the interpretation of the accounts by an informed reader. The Code’s disclosure requirements are therefore lifted for items where transactions and balances are not material.

Minimum revenue provision (MRP)

The minimum amount which must be charged to an authority’s income & expenditure account each year and set aside as provision to repay debt, as determined by a policy set by the Council each year.

National non domestic rate (NNDR) (also known as business rates)

A levy on business property, based on a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines a national rate poundage each year which is applicable to all local authorities. Local authorities collect the non-domestic rate but the proceeds are pooled and distributed by the Government on the basis of an authority’s population.

Neighbourhood renewal fund (NRF)

A government initiative introduced in 2001/02 to assist local communities to deliver better outcomes for their most deprived areas.

Net current replacement cost

The cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e., the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net debt

The Council’s borrowings less cash and liquid resources.

Net realisable value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Office for Standards in Education (Ofsted)

A non-ministerial government department, independent from the Department for Education.

Operating lease

A type of lease, typically of computer equipment, office equipment, furniture, vehicles etc where the balance of risks and rewards of holding the asset remains with the lessee. It is accounted for as a simple rental.

Past service costs

The annual cost of discretionary pension benefits awarded on previous early retirements.

Pension fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of participants. It is financed from contributions from the employing authority and the employee and from investment income.

Precept

The amount levied by various authorities (e.g. the Greater Manchester Police Authority) which is collected by the Council on their behalf.

Precepting authorities

Those authorities which are not billing authorities, ie do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are 'major precepting authorities' and parish, community and town councils are 'local precepting authorities'. The Council does not have any in the latter category.

Private finance initiative (PFI)

A Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation and is normally delivered via a public private partnership (PPP). Typically, the private sector partner designs, builds and finances an asset and the public sector partner pays a unitary charge, similar to a lease, to use the asset.

Projected unit method

The method used by the actuary to value the Council's pension liability at a particular date. The method makes assumptions about mortality rates, salary levels etc and values the liability for:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases and
- the accrued benefits for members in service on the valuation date.

Provisions

These are sums set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

Prudential limits

The means by which the Council controls its level of borrowing. The limits set must be prudent, affordable and sustainable in the long term.

Prudential borrowing

See unsupported borrowing.

Public private partnership (PPP)

Generic term for the relationships formed between the private sector and public bodies often with the aim of introducing private sector resources and/or expertise in order to help provide and deliver public sector assets and services.

Public service agreement (PSA)

Statements of the aims, objectives and targets to be achieved by public bodies with the funding provided through the comprehensive spending review.

Public works loans board (PWLB)

An independent statutory body which can make loans to local authorities and other prescribed bodies. Monies are provided by acts of parliament and drawn from the national loans fund.

Related parties

For the purposes of the Council's accounts related parties are the Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, elected members, senior officers and the pension fund. For individuals identified as related parties, the following are also presumed to be related parties:

(i) Members of the close family, or the same household; and

(ii) Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred.

Revenue expenditure

Expenditure incurred on the day to day running of the Council; the costs principally include employee expenses, capital financing charges and general running costs.

Revenue support grant (RSG)

A grant paid by the Government to every local authority to help to finance its expenditure generally and not specific services. The grant helps to bridge the gap between council tax and NNDR income on one hand and the total assessment of the Council's need to spend on the other (as measured by the standard spending assessment). The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Section 137 expenditure

Under section 137 of the Local Government Act 1972 local authorities are allowed to spend a limited amount to do things they are not otherwise empowered to do, but which they consider to be in the interests of their area or its inhabitants, and which will produce a benefit commensurate with the expenditure involved.

Service concession

These arrangements typically involve an authority allowing an operator the right to provide services that give the public access to major economic and social facilities.

Simple investment

Where, in group accounts, the reporting authority's interest does not qualify the entity as a subsidiary, associate or a joint venture because the reporting authority has limited influence or its interest is not long-term.

Specific grants

Government grants to local authorities in support of particular services or schemes.

Standing orders

The set of rules adopted by the authority which establish the procedures by which it should conduct its business. In particular, there must be standing orders relating to tendering and contract procedures.

Statement of recommended practice (SORP)

Statements prepared by the Accounting Standards Board to provide further guidance (beyond that in other standards like SSAPs & FRSs) to particular sectors. From 2010/11, local authority accounting has followed the Code rather than the SORP.

Statements of standard accounting practice (SSAPs)

Statements prepared by the Accounting Standards Board to ensure consistency in accountancy matters. More recently issued standards have been redesignated FRSs.

Subsidiary

An entity over which the reporting authority is able to exercise control over operating and financial policies and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Supported capital expenditure

Government support for capital investment can be described as supported capital expenditure (revenue), known as SCE(R), or supported capital expenditure (capital grant), known as SCE(C). Under the Prudential Capital Finance System, local authorities are free to make their own borrowing decisions subject to an

overall national limit. Government support for borrowing through the revenue support grant (RSG) and housing revenue account subsidy (HRAS) is given on the basis of a specified amount of capital expenditure which the borrowing will support.

Total standard spending (TSS)

The total amount which the government determines local authorities should spend to be consistent with national economic guidelines. It is used for calculating the total amount of Government support to local authorities.

Treasury management

The process by which the authority controls its cash flow and its borrowing and lending activities.

Treasury management policy statement

A statement which sets out the parameters which the local authority has approved for the management of treasury activities during the year.

Trust funds

Funds administered by the Council on behalf of charitable organisations and/or specific organisations.

UK GAAP

United Kingdom generally–accepted accounting practice.

Unsupported borrowing ("Prudential borrowing")

Borrowing for which no financial support is provided by Government. The borrowing costs are to be met from current revenue budgets.

VAT shelter

In relation to large scale voluntary transfers of housing stock, a "VAT shelter" is an arrangement allowed by Her Majesty's Revenue and Customs (HMRC) enabling housing associations receiving transfers of housing stock from local authorities to reclaim VAT on their investment programmes. It puts housing associations receiving stock via a transfer on a VAT-level playing field with local authorities.

Virement

The transfer of resources between budget heads. Virement must be properly authorised by the appropriate committee or officers under delegated power.

Further information and contacts

Corporate accountancy team

If you would like further information or to comment on this document, please contact the team.

- telephone 0161 793 3245
- email council.finances@salford.gov.uk
- or write to

Budget Consultation
FREEPOST-RLUE-CELG-RHST
Unity House
Salford Civic Centre
M27 5FJ

Audit Commission

The Audit Commission are the Council's appointed auditors.

- Web site http://www.audit-commission.gov.uk
- Or write to

Audit Commission
2nd Floor, Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

Communities and local government

CLG is the government department responsible for local government affairs. Its web site is at http://www.communities.gov.uk

Councillors

Find your councillor at http://www.salford.gov.uk/findyourcouncillors.htm

Council publications

You are recommended to review the **annual governance statement** in conjunction with the statement of accounts. You can find this in the statement of accounts archive at http://www.salford.gov.uk/accounts.htm. Until 2009/10 the annual governance statement (or its predecessor the statement on internal control) was included in the statement of accounts.

For a wider understanding of the Council's operations and performance, the statement of accounts should be read in conjunction with the Council's **corporate plan**. Recent years' plans can be found on our website at http://www.salford.gov.uk/perform.htm.

Comprehensive details of the Council's annual **budget** can be found at http://www.salford.gov.uk/budget.htm

Statutory disclosures of **council expenditure over £500** can be found at http://www.salford.gov.uk/council-expenditure.htm

Statutory disclosures of **senior officer salaries** can be found at http://www.salford.gov.uk/senior-officer-salaries.htm